

By Mr. REILLY of Connecticut: A bill (H. R. 9404) granting an increase of pension to Emily L. Barnes; to the Committee on Invalid Pensions.

By Mr. RUSSELL: A bill (H. R. 9405) granting a pension to Johanna Miller; to the Committee on Invalid Pensions.

By Mr. TAYLOR of Alabama: A bill (H. R. 9406) granting a pension to Winona Hawthorne Buck; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CARY: Memorial of Lake Michigan Steamboat Line, protesting against the passage of the La Follette seamen's bill; to the Committee on the Merchant Marine and Fisheries.

By Mr. CURLEY: Petition of the Boston Central Labor Union, favoring congressional investigation of conditions in the mining district of Colorado; to the Committee on the Judiciary.

By Mr. CURRY: Memorial of the Sacramento Federated Trades Council, favoring the passage of House bill 7207, relative to water rights of the Hetch Hetchy Lake; to the Committee on the Public Lands.

By Mr. DALE: Petitions of Hull, Crippen & Co. and H. F. Hadden, of New York, N. Y., protesting against the passage of the seamen's bill; to the Committee on the Merchant Marine and Fisheries.

By Mr. LA FOLLETTE: Memorial of the Spokane Chamber of Commerce, Spokane, Wash., favoring the recommendation of military officials for the strengthening of the United States Army; to the Committee on Military Affairs.

By Mr. REILLY of Connecticut: Petition of the New Haven Political Equality Club, of New Haven, Conn., protesting against the action of the Russian Government in the ritual murder charge; to the Committee on Foreign Affairs.

By Mr. SUTHERLAND: Papers in support of House bill 5567, for the relief of the estate of John Snyder; to the Committee on War Claims.

SENATE.

MONDAY, November 24, 1913.

Rev. H. H. Hoss, D. D., of Nashville, Tenn., bishop of the Methodist Episcopal Church South, offered the following prayer:

Oh, gracious God, our heavenly Father, Thou art enthroned in the heavens. Thy sway extends over all things, material and immaterial, in Thy wide universe. Thou art of all men and of all nations. We give Thee sincere and hearty thanks for the providence which Thou hast had over us as a nation and a people, for the fact of Thy intervention in history, for the fact of Thy sustaining power in the great crises which have come and gone in the years that are past.

And now we invoke Thy continued blessing upon us. May Thy great grace rest upon this body of legislators, sent here by sovereign States for the enactment of laws and the framing of policies that shall control and govern our future destiny. Give to them the wisdom that cometh from above, simple minds, a clear vision, the open heart, the patriotic purpose.

And let Thy blessing, we earnestly beseech Thee, abide upon us this day and all the days. As Thou hast been with us in the past be with us in the years that are to come, so that through whatever experience we may be called upon to pass, whatever difficulties we may have to encounter, we shall be sure of Thy providential aid.

Our Father, who art in heaven, hallowed be Thy name. Thy kingdom come, Thy will be done, in earth as it is in heaven. Give us this day our daily bread. Forgive us our trespasses as we forgive those who trespass against us. And lead us not into temptation, but deliver us from evil, for Thine is the kingdom, and the power, and the glory, forever and ever. Amen.

EDWIN C. BURLEIGH, a Senator from the State of Maine, appeared in his seat to-day.

NAMING A PRESIDING OFFICER.

The Secretary (James M. Baker) read the following communication:

PRESIDENT PRO TEMPORE UNITED STATES SENATE,
Washington, November 24, 1913.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. JOHN RANDOLPH THORNTON, a Senator from the State of Louisiana, to perform the duties of the Chair during my absence.

JAMES P. CLARKE,
President pro tempore.

Mr. THORNTON thereupon took the chair as Presiding Officer and directed that the Secretary read the Journal of the proceedings of the last legislative day.

THE JOURNAL.

The Journal of the proceedings of Saturday last was read and approved.

SAN FRANCISCO WATER SUPPLY.

Mr. GALLINGER presented the memorial of Lucius Waterman, rector of St. Thomas Church, Hanover, N. H., remonstrating against the enactment of legislation granting to the city of San Francisco the use of the waters of Hetch Hetchy Valley, which was ordered to lie on the table.

MISSISSIPPI RIVER BRIDGE.

Mr. SHERMAN. I present a telegram in the nature of a petition from sundry citizens of Hamilton, Ill., opposite Keokuk, Iowa. It relates to granting additional bridge facilities between these two cities and concerns a bill that is pending before the Committee on Commerce. I ask that the telegram be printed in the RECORD and referred to the Committee on Commerce.

There being no objection, the telegram was referred to the Committee on Commerce and ordered to be printed in the RECORD, as follows:

HAMILTON, ILL., November 20, 1913.

Senator L. Y. SHERMAN,
Washington, D. C.:

Senate bill No. 1618 is up for hearing this morning before Senate Committee on Commerce. Will you please attend that meeting and, if possible, secure the attendance of Senator LEWIS and do all you properly can to bring about a favorable report on the bill, because we think our community sorely needs additional bridge facilities. Along in the latter sixties the Keokuk & Hamilton Bridge Co. obtained from Congress a grant to build a bridge across the Mississippi River between Keokuk and Hamilton. They are not contending that their charter gave "the exclusive right, privilege, and power between the city of Warsaw and the city of Nauvoo, in the county of Hancock and State of Illinois, to build, construct, and maintain a bridge or bridges for railroad and other purposes on the Mississippi River to the State of Iowa." That the franchise of this company is exclusive we deny, and as our present and future development will be seriously interfered with unless we have greater bridge facilities, we favor a bridge across the power dam, which dam now extends across the Mississippi River from Hamilton, Ill., to Keokuk, Iowa. The facts are that this bridge was not designed to carry present day railroad equipment, and for about 15 years has refused passage to the heavier locomotives used by the Toledo, Peoria & Western Railroad Co. The heavy equipment for the power house was not shipped until the dam was completed and the tracks laid from the Hamilton depot up to the Illinois end of the dam and across on the dam. The reason stated was that it was unsafe to ship this heavy tonnage over the old bridge. Even granting that this bridge could carry present equipment, we would still have great need for a second bridge, because this bridge is not designed to carry railroad trains or interurban and wagon traffic at same time; and under the present schedule it is in the service of the railroads and interurbans and closed to wagon traffic a large part of the time. You are at liberty and we will be glad to have you bring this telegram to attention of Senator LEWIS, Senator CUMMINS, and Senator KENTON, and to Congressman TAPPAN and Congressman KENNEDY, and to use it in any way that seems proper to you or them.

HAMILTON BUSINESS CLUB,
By J. A. GORDON, President,
By H. E. RAYBURN, Secretary.

BANKING AND CURRENCY.

Mr. SHERMAN. I present a telegram, in the nature of a petition, from W. T. Fenton, vice president of the National Bank of the Republic, of Chicago, Ill., which I ask to have referred to the Committee on Banking and Currency and to be printed in the RECORD.

There being no objection, the telegram was referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

CHICAGO, ILL., October 15, 1913.

Hon. L. Y. SHERMAN,
United States Senate, Washington, D. C.:

The Boston meeting of bankers was not a called convention. It was the annual meeting of the American Bankers' Association, an organization which has had a consecutive existence for nearly 40 years. The date and place of meeting for the year 1913 was fixed by the executive committee before the national presidential election last year. It is a well-known fact, and the names on its executive committee will show, that the association has been controlled and dominated for the last 10 or 15 years by bankers outside of reserve cities. The subject of the currency bill was a natural one, as was the indorsement of the action of the Chicago conference, which conference in its preamble recognized the earnestness of the administration in its efforts to bring about currency reform and offered its cooperation. It is not true that the bankers are opposing legislation. On the contrary, they themselves have brought about the demand for currency reform, and there has been, and is now, a general apathy on the part of the public on this question. The Chicago conference recommended certain amendments by unanimous action and the meeting at Boston simply indorsed the Chicago recommendations unanimously. Where there is so much misunderstanding, I think this explanation due both to the bankers and the Members of Congress, believing that a spirit of fairness on both sides is essential at this time.

W. T. FENTON,
Vice President, National Bank of the Republic, Chicago, Ill.
LANDS, IN IDAHO.

Mr. BRADY. I present resolutions adopted by the Farmers' Educational and Cooperative Union of Nez Perce, Lewis, and

Clearwater Counties, Idaho, calling attention to the fact that there are large bodies of lieu land unimproved and large bodies of railroad-grant land unsurveyed in the State of Idaho that have escaped taxation for years by reason of the delay of the National Government in clear listing these lands. There are thousands of acres of land in Idaho belonging to the great timber syndicates and the Northern Pacific Railroad Co. that have escaped taxation, for the reason that title has not been conveyed to these corporations by the National Government. This is an injustice to the people of our State, and I am glad to have the farmers' organization call attention to this matter. The resolutions are short and to the point. I ask that they may be printed in the Record and referred to the Committee on Public Lands.

There being no objection, the resolutions were referred to the Committee on Public Lands and ordered to be printed in the Record, as follows:

Resolutions adopted at Lewiston, Idaho, October 22, 1913, by the Farmers' Educational and Cooperative Union.

At a convention of the Farmers' Educational and Cooperative Union, including the counties of Nez Perce, Lewis, and Clearwater, held at the city of Lewiston, State of Idaho, on Monday, October 22, 1913, the following resolutions were discussed and adopted:

Whereas in the matter of the taxation we believe in justice being given to all and special favors to none; and

Whereas that large bodies of lieu land unapproved and large bodies of railroad grant land unsurveyed in the State of Idaho by reason of delay of the National Government in determining definite title thereto have never been subject to taxation; and

Whereas the title to all such lands in this State, so far as we can learn, is claimed wholly by the great timber syndicates of the Northwest or by the Northern Pacific Railroad Co.; and

Whereas all such lands have for many years been closed to homestead and every form of individual entry; and

Whereas the evasion of taxation of such lands to the amount of approximately 2,000,000 acres for many years have added greatly to the heavy burden already borne by the farmers and other individual taxpayers of the State of Idaho; and

Whereas we believe in the absolute publicity of the conduct of our public affairs, and that it is the duty of our congressional Representatives and Senators to make known to us conditions that are detrimental to our best interests and financial welfare: Therefore be it

Resolved, That it is the sense of this organization that to longer permit conditions of title to exist which causes land situated within the limits of the State of Idaho to evade taxation is an injustice needlessly permitted by the National Government to be imposed upon the people of this State; that by so doing the development of the whole State in general and of the counties containing such land in particular is being retarded: Therefore be it further

Resolved, That in order to remedy the unsatisfactory conditions existing regarding these lands that an order for the survey of all these lands that are unsurveyed, including railroad grants and lieu lands, should be made, and the selection of all such lieu lands in the State of Idaho should either be approved or rejected at once; and be it further

Resolved, That a copy of these resolutions be sent to the Hon. Franklin K. Lane, Secretary of the Interior, Senators WILLIAM E. BORAH, JAMES H. BRADY, and Congressmen BURTON L. FRENCH and ADDISON T. SMITH, as an expression of the will of the people of this State directly affected by the present condition of these lands.

C. W. BOOTH,
President of the Tricounty Union of Nez Perce,
Lewis, and Clearwater Counties, Idaho.

Attest.

R. L. ANDERSON, Secretary.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SMITH of Arizona:

A bill (S. 3470) for the relief of the water users under what is known as the Yuma irrigation project, in Yuma County, Ariz.; and

A bill (S. 3471) to authorize payment of damages caused by operations of the Reclamation Service; to the Committee on Irrigation and Reclamation of Arid Lands.

AMENDMENT TO THE CURRENCY BILL.

Mr. BORAH submitted an amendment intended to be proposed by him to the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, which was ordered to lie on the table and to be printed.

PROPOSED FINAL ADJOURNMENT.

The PRESIDING OFFICER. The introduction of concurrent or other resolutions is in order.

Mr. MYERS. I call up the concurrent resolution I offered on Saturday.

The PRESIDING OFFICER. The Chair will state to the Senator that that resolution comes over in regular order and will be laid before the Senate by the Chair as soon as it is reached.

Mr. MYERS. All right.

The PRESIDING OFFICER. Are there concurrent or other resolutions? If not, the next business in order is the consideration of a concurrent resolution coming over from a previous day. The Chair lays it before the Senate, and the Secretary will read it.

The Secretary read concurrent resolution No. 10, submitted by Mr. MYERS on the 22d instant, as follows:

Resolved by the Senate (the House of Representatives concurring), That the President of the Senate and the Speaker of the House of Representatives be authorized to close the present session by adjourning their respective Houses on the 24th day of November, 1913, at 2 o'clock p. m.

Mr. MYERS. I ask for the adoption of the concurrent resolution.

Mr. CLAPP. Will the Senator from Montana yield to me for a moment to prefer a request?

Mr. MYERS. I yield to the Senator.

BANKING AND CURRENCY.

Mr. CLAPP. Mr. President, I find on my desk this morning a print of House bill 7837, being the banking bill, and also a print of what purports to be the amendment proposed by the chairman of the committee. I think there should be printed for our use House bill 7837 showing that amendment in italics and the House text. Of course, I understand that this large document has been issued, but we have a great many requests for copies of the bill and proposed amendments. We have the House bill, with the amendments suggested by the Senator from Nebraska [Mr. HITCHCOCK] printed in italics, but as representing the amendment of the Senator from Oklahoma I do not find a print with the bill as passed by the House.

Mr. OWEN. I advise the Senator that it has been printed and is already on his desk.

Mr. STONE. I understood that on Saturday—

The PRESIDING OFFICER. What is the request of the Senator from Minnesota?

Mr. CLAPP. I yield to the Senator from Missouri.

Mr. STONE. On Saturday I understood that a document was to be printed, for the use of the Senate, by to-day containing in three columns the House bill, which was referred to the Committee on Banking and Currency—

Mr. CLAPP. That is right, and there has been a mistake made there, I think.

Mr. STONE. There was a print ordered in three columns.

Mr. CLAPP. Yes; in three columns.

Mr. STONE. This document has but two columns.

Mr. CLAPP. I know, but I should like to complete this request of mine first. It is that there be printed of House bill 7837, with the amendment proposed by the chairman in italics, at least 20,000 copies, or so many copies as can be printed within the requirement of the rule allowing \$500 to be expended under the order of the Senate.

Mr. SMOOT. I think that order has already been made.

Mr. CLAPP. No; an order was made with reference to the bill as proposed to be amended by the Senator from Nebraska.

Mr. STONE. The Senator from Minnesota is right about that.

Mr. CLAPP. There is no question about it.

Mr. OWEN. The request related to the printing of the report and not to the bill itself.

Mr. CLAPP. The usual number for the Senate will certainly not be sufficient to supply the demand, and it seems to me there ought to be as many copies of the one as of the other. The order was made on Saturday to print as many as \$500 would print of the bill as proposed to be amended by the Senator from Nebraska, but the Senator from Oklahoma did not make a similar request with reference to the bill and his amendment.

Mr. SMOOT. I understood that he had done so.

Mr. STONE. No.

Mr. OWEN. I made the request to include the views of the chairman and his colleagues.

The PRESIDING OFFICER. The Chair will suggest to the Senator that the Secretary read exactly what has been ordered, and perhaps that will throw some light on the question.

Mr. CLAPP. Very well.

The Secretary read from the CONGRESSIONAL RECORD, proceedings of the Senate, of November 22, 1913, page 5964, as follows:

Mr. OWEN. I ask unanimous consent that the reported bill be printed, showing the changes proposed by the amendments suggested by myself and those Senators agreeing with me.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oklahoma?

Mr. SMOOT. Mr. President, I did not hear the request. Let it be again stated.

Mr. OWEN. I simply asked for a print of the bill as proposed to be amended by my section of the committee.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oklahoma? The Chair hears none, and it is so ordered.

Mr. OWEN. Mr. President, I ask that, within the \$500 limit of cost, copies of the report containing the individual views of the chairman of

the Committee on Banking and Currency and the members agreeing with him be printed for the use of the Senate document room.

There being no objection, the order was agreed to and reduced to writing, as follows.

Mr. CLAPP. Mr. President, it seems to me very clear that that omits the printing of the proposed amendments themselves in italics as a part of House bill 7837 in excess of the ordinary number for the Senate. If the Senate is of the opinion that it does not, that ends this discussion. All I desire is to get more copies if I can.

Mr. STONE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Missouri?

Mr. CLAPP. With pleasure.

Mr. STONE. What has been read by the Secretary does not quite clear the situation.

Mr. CLAPP. No.

Mr. STONE. I think subsequent to the part that has been read the Senator from Nebraska [Mr. HITCHCOCK] asked first that 25,000 copies of the bill or substitute or whatever it may be called, reported by the section of the committee on Banking and Currency which he represents, should be printed. The Senator from Utah raised the question as to whether that could be done by the order of the Senate or whether it would have to be done by the order of the joint committee of the two Houses. Then the Senator from Nebraska asked for 20,000 copies, and on the assurance that that would not exceed the \$500 limit that was ordered. But as the Senator from Minnesota says there was, as I recall, no order for the printing of a like number of the proposal reported by the other section of the committee headed by the chairman of the committee, and that I understand is what the Senator from Minnesota desires to have done.

Mr. SMOOT. Mr. President, I simply want to say that the request made by the Senator from Oklahoma, that the views of himself and five other members of the committee be printed as a public document up to and including \$500 worth, also included the bill itself. If the Senator will look at the RECORD he will see that that is the case.

Mr. CLAPP. Mr. President, the trouble now is that we have to send out to our constituents a document that contains the original House bill as proposed to be amended by the Hitchcock bill—to use that term for brevity's sake—in one document in plain print. We have no similar document as representing the House bill with the amendments proposed by the Senator from Oklahoma [Mr. OWEN]. Instead of requiring our constituents to dig them out of this report, it does seem to me it would simplify the situation to have printed a document with reference to the bill as proposed by the Senator from Oklahoma corresponding to the one in the case of the Senator from Nebraska. I know it is in the report, but a man has to take that report and dig out the proposals contained in that report, when we have already one document that shows the House bill with the proposed amendments of the Hitchcock bill. That ought to be accompanied, it seems to me, to our constituents by a similar document showing in plain type the House bill with the proposed amendments of the Owen bill in italics; and that is the request I make.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota?

Mr. SMOOT. Mr. President, what is the request? Let it be stated.

The PRESIDING OFFICER. The Senator from Minnesota will please again state his request for the information of the Senate.

Mr. CLAPP. The request is that there be printed of House bill 7837, 20,000 copies, or as many as can be printed within the \$500 limit of cost, showing in italics the amendment proposed by the Senator from Oklahoma [Mr. OWEN].

The PRESIDING OFFICER. Is there objection? If not, it will be so ordered.

Mr. CLARK of Wyoming. I should like the attention of the Senator from Oklahoma for one moment. I desire to call attention to the report, with the appendix, which was printed as a Senate document at the request of the Senator from Oklahoma on Saturday. When the request was made for the printing of that document I for one, at least, understood that the appendix to the report was to include the views of the chairman of the committee and those who agree with him, and in the same document the views of the remaining members of the committee who disagree. That is what I understood to be the purpose. Now, if I have not been careless in my examination, the document includes only as an appendix the views of the chairman of the committee and those who agree with him.

Mr. OWEN. Mr. President, the only cause of confusion is that the copies have not been stitched together in one volume,

but the index will show it is the same thing, and they are both on the Senator's desk.

Mr. CLARK of Wyoming. Yes; I know that; but it seems to me they should be stitched together, Mr. President—

Mr. OWEN. Yes.

Mr. CLARK of Wyoming. Because they appear, on casual observation, as two documents, one of which—

Mr. OWEN. They are both marked "Calendar No. 107," one part being No. 1 and the other part No. 3.

Mr. CLARK of Wyoming. I know; but one of the documents contains the report of the committee.

Mr. OWEN. I desire to remind the Senator from Wyoming that the request of the Senator from Nebraska [Mr. HITCHCOCK] was that there should be printed a certain number of his report with his bill, and that is the reason why they were not stitched together.

Mr. CLARK of Wyoming. I know; but that was not the unanimous consent to which I gave my assent. The unanimous consent that I supposed I was giving my assent to was that the report should be printed as a Senate document, together with the views of the chairman of the committee and the views of the other branch of the committee—that was what the discussion started on—so that they would be all together in one document, and the views of the two branches of the committee should appear to the same document, stitched together as appendices to the report of the committee.

Mr. OWEN. Anyone asking for "Report 133, Calendar No. 107," will get, of course, both of these documents. It is really the same thing whether they are stitched together or not.

Mr. CLARK of Wyoming. It is really the same thing, only they do not appear to be the same thing. One is an appendix to a report and the other is not an appendix to a report. To that I was calling attention. The views of the chairman of the committee and those agreeing with him are published as an appendix to the report.

Mr. OWEN. The point made by the Senator from Wyoming may easily be accomplished by simply having the reports stitched together.

Mr. CLARK of Wyoming. That is what I think should be done, so that the whole matter can be sent out as one document.

Mr. OWEN. The reason they were printed separately was because the Senator from Nebraska wished to send out his report separately.

Mr. CLARK of Wyoming. I understood that his request had nothing whatever to do with the request made by the chairman of the committee. I understood that there were two separate propositions.

Mr. OWEN. Both requests could be complied with by simply having the reports stitched together. If the Senator would like, I see no reason why the document could not be furnished with the parts stitched together.

Mr. CLARK of Wyoming. I understood that is what the document was intended to be.

Mr. OWEN. I think nothing was said with regard to their being stitched together; but, of course, they are one document.

Mr. CLARK of Wyoming. There is no particular object in making a document of that size in two volumes.

Mr. OWEN. They are both Report No. 133.

Mr. CLARK of Wyoming. That is perfectly true, but one is marked "Part 1" and the other marked "Part 3." Part 2 is the first appendix, which is printed with the report; part 3 is the second appendix, which is not printed with the report. My proposition now is to have the whole thing complete in one small document.

Mr. OWEN. I ask for an order that they be stitched together as one document.

Mr. CLARK of Wyoming. That is what I desire.

Mr. BRISTOW. Mr. President, I have no objection to their being stitched together if any Senator wishes them stitched together, but I desire to have a large number of them not stitched together.

Mr. CLARK of Wyoming. That has already been provided for.

Mr. MYERS. Mr. President, I call for the regular order.

The PRESIDING OFFICER. The regular order is the consideration of the resolution of the Senator from Montana [Mr. MYERS], but that was interrupted by two motions, which the Chair would first like to have disposed of.

Mr. MYERS. I am perfectly willing for that to be done, if it can be done before 2 o'clock.

The PRESIDING OFFICER. The Senator from Montana yielded to the Senator from Minnesota [Mr. CLAPP], who made a motion which has not yet been disposed of.

Mr. MYERS. I did not suppose it would take so long.

The PRESIDING OFFICER. Is there objection to agreeing to the motion of the Senator from Minnesota [Mr. CLAPP]? Without objection, the motion is agreed to.

Mr. HITCHCOCK. Mr. President, before the motion is agreed to I should like it distinctly understood that the change proposed is to add to the document which has been printed at the request of the chairman of the committee [Mr. OWEN] the document which has been printed at my request, and that this change does not involve impairing or destroying the printing of the 20,000 copies of the document which have been ordered separately at my request.

Mr. WILLIAMS. Mr. President, the request does involve just exactly what the Senator from Nebraska objects to. As I understand, the Senator from Nebraska wants to distribute his document without sending with it the other document, so as to make an ex parte showing on his side. If the request of the Senator from Wyoming is agreed to, the two documents, being stitched together, will have to go out together.

The PRESIDING OFFICER. The Chair will state to the Senator from Mississippi that the question now before the Senate is not on the motion of the Senator from Wyoming [Mr. CLARK], but on the motion of the Senator from Minnesota [Mr. CLAPP], which the Chair was about to rule had been agreed to when the Senator from Nebraska rose and interposed an objection, as the Chair thought. The question is on the motion of the Senator from Minnesota. Without objection, it will be agreed to.

Now the question is on the motion of the Senator from Wyoming [Mr. CLARK].

Mr. WILLIAMS. Mr. President, I rose merely to respond to what had been stated by the Senator from Nebraska. I have no sort of objection to the request of the Senator from Minnesota, and it would be more in order to get rid of that first, I think.

Mr. CLARK of Wyoming. That is now disposed of.

The PRESIDING OFFICER. It has been disposed of, the Chair will advise the Senator from Mississippi.

Mr. WILLIAMS. Very well.

The PRESIDING OFFICER. Now the question is on the motion of the Senator from Wyoming [Mr. CLARK].

Mr. WILLIAMS. I was addressing myself to that question.

Mr. CLARK of Wyoming. Mr. President, in order that there may be no misunderstanding in the mind of the Senator from Mississippi or in the mind of the Senator from Nebraska, it might be well just for a moment to review the proceedings on Saturday. The Senator from Oklahoma asked unanimous consent that the report of the committee, together with the views of the two branches of the committee as appendices, be printed as a document. That was one request. Unfortunately, in the discussion there was so much confusion in the Chamber that the request as finally made, according to the Record, included only the report of the committee and, as an appendix, the views of the chairman and his colleagues on that committee. That is what the Record shows; but the intention of the whole proposition, both of the chairman of the committee and of those who took part in the discussion, was that this document should contain the report of the committee with appendices consisting of the views of each branch of the committee. That was the intention.

Mr. WILLIAMS. That was what I thought was done.

Mr. CLARK of Wyoming. That is what I thought was done; but that was not done, and the report has not been printed in that way. The purpose of my rising was that the unanimous consent might be made to cover exactly what the chairman of the committee first asked for.

Mr. WILLIAMS. Now, Mr. President—

Mr. CLARK of Wyoming. Just a moment. That having been agreed to, unanimous consent was given to the Senator from Nebraska that as many copies as \$500 would print should be printed separately of the report of himself and those who agreed with him; but, unfortunately, the Record does not really bear out the understanding of the Senate as it occurred to me, and the consequence is that we have the report of the committee, and attached to that an appendix consisting only of the views of the chairman of the committee and those who agree with him. It occurred to me that there ought to be an appendix containing the views of both sides.

Mr. WILLIAMS. Mr. President, I understood what was done just as the Senator from Wyoming did; but I also understand that we have got to go by the Record and that nothing was done which the Record does not show was done.

Mr. CLARK of Wyoming. That is right.

Mr. WILLIAMS. I did not intend to consent the other day, and I am not willing to consent to-day, that one of these two diverse statements of opinion, with the amendments accom-

panying it, should go to the country as an ex parte document. I think the two documents ought to go together, and I think \$500 ought to cover the printing of both. I think it would be foolish for virtually the majority side of this Chamber to consent to distribute as an ex parte document \$500 worth of the minority report and statement and argument while it did not make the same provision for the report and statement of the Democratic members of the committee. I did not rise for the purpose of objecting to the request of the Senator from Wyoming; on the contrary, I agree with him; but I did rise to object to having it understood that the construction just placed upon the request by the Senator from Nebraska should go into the Record without notice by somebody that it was not the understanding of the Senate.

Mr. CLARK of Wyoming. Mr. President, I have nothing to say in regard to the report of the Senator from Nebraska; neither have I anything to say in regard to the report of the Senator from Oklahoma and those associated with him. I am not entirely agreed with the Senator from Mississippi. I am perfectly willing that the two reports, as the views of certain Senators, should go separately, if the Senate makes an order for that purpose; but when the report of the committee is circulated as showing the reason of that report, to wit, a report that they are unable to come to a conclusion and that they report the bill back without recommendation, I want, with that failure to agree, to give the reasons why there was a failure to agree; and that can only be evidenced by the individual views of those taking different positions on the bill.

Mr. WILLIAMS. And in that I agree perfectly with the Senator from Wyoming. I think that is the only fair way to do it. I think the country ought to see both together.

Mr. CLARK of Wyoming. I do, and I go further than the Senator from Mississippi, and think that if those agreeing with the chairman of the committee want to send out their views to the country they should be allowed to do so, and if those agreeing with the Senator from Nebraska want their views sent out they should be allowed to do so.

Mr. WILLIAMS. But that is not involved in this proposition.

Mr. CLARK of Wyoming. Only as the Senator—

Mr. WILLIAMS. It is not involved rather in the construction put upon it by the Senator from Nebraska; but what is involved in his construction is that there shall be \$500 appropriated for the free distribution of his side of the matter—

Mr. CLARK of Wyoming. Oh no.

Mr. WILLIAMS. And the statement of it, while there is no \$500 appropriated for a distribution of the views of the other side.

Mr. CLARK of Wyoming. No; the two propositions are not related, because the proposition of the Senator from Nebraska was a separate and distinct unanimous-consent agreement from the one proposed by the Senator from Oklahoma.

Mr. WILLIAMS. But the Record does not show that.

Mr. CLARK of Wyoming. I think it does.

Mr. WILLIAMS. Then, of course, if the Record does show it, I am making an objection too late; but I did not think it did; I did not so understand; I had no idea we were standing here and letting one side of this subject be distributed to the country at the public expense to the extent of \$500 worth while the other side was not.

Mr. CLARK of Wyoming. No; but the Senator still misapprehends. There was permission given to each side.

Mr. WILLIAMS. I will ask that the Record be read.

Mr. CLARK of Wyoming. I will read it to the Senator.

Mr. WILLIAMS. If that is so, then what I thought—

Mr. CLARK of Wyoming. I will read it to the Senator. On the second column of page 5964 it was—

Ordered, That there be printed approximately 20,000 copies of Senate Report No. 133, part 3, being the views and report of facts by Senators HITCHCOCK, NELSON, BRISTOW, CRAWFORD, WEEKS, and McLEAN, and following the same, in the same document, the bill as proposed to be amended by the Senators, such printing not to exceed the sum of \$500.

That was the request made by the Senator from Nebraska, which was agreed to. Then, farther down on page 5964, about the middle of the first column—

Mr. WILLIAMS. If the Senator will pardon me just for a moment, I thought from what the Senator said a moment ago that what I thought the Senate had done the Record did not show, but the Senator from Utah [Mr. SMOOT] has just shown to me that while the two propositions came separately there was a request granted for the publication of \$500 worth of the Hitchcock views and \$500 worth of the Owen views, so that the two—

Mr. CLARK of Wyoming. Neither of them had anything to do with the proposition which I have made, which was that the report of the committee—

Mr. WILLIAMS. If the Senator will allow me to finish the sentence, so that the two differing views should go to the country under the same identical provision of expenditure. That is what I thought was done and that is what I thought I was agreeing to; but a moment ago I either misunderstood the Senator when he said the Record did not show the agreement, or he misunderstood the Record. In any event, I am wrong about it. I have no sort of objection to the views of the minority going to the country separately, provided the views of the majority can have exactly the same advantage on exactly the same footing at the same expenditure; and the Record shows that that is the case.

Mr. CLARK of Wyoming. The only difficulty is that the Senator entirely misapprehended my request. My request did not relate either—

Mr. WILLIAMS. No; I did not misunderstand the Senator's request. What I misunderstood was the Senator's statement that the Record did not show—

Mr. CLARK of Wyoming. Well, the Record does not show what I want it to show.

The PRESIDING OFFICER. The question is on the request of the Senator from Wyoming [Mr. CLARK]. Is there objection? The Chair hears none, and it is so ordered.

PROPOSED FINAL ADJOURNMENT.

The PRESIDING OFFICER. The order of business now is the consideration of a concurrent resolution coming over from a previous day, proposed by the Senator from Montana [Mr. MYERS].

Mr. MYERS. I ask that the resolution be modified by striking out "24th" and inserting "26th."

The PRESIDING OFFICER. The Senator from Montana asks permission to modify the concurrent resolution by striking out "24th" and inserting "26th" in lieu thereof. Is there objection? The Chair hears none, and the resolution is modified as requested.

Mr. MYERS. I move the adoption of the resolution.

Mr. GALLINGER. Let the resolution be read, Mr. President.

The PRESIDING OFFICER. The Secretary will read the concurrent resolution as modified.

The Secretary read the concurrent resolution (S. Con. Res. 10) as follows:

Resolved by the Senate (the House of Representatives concurring), That the President of the Senate and the Speaker of the House of Representatives be authorized to close the present session by adjourning their respective Houses on the 26th day of November, 1913, at 2 o'clock p. m.

Mr. THOMAS. Mr. President, I move to lay the concurrent resolution on the table.

The motion was agreed to.

BANKING AND CURRENCY.

Mr. HITCHCOCK. Mr. President, I desire to give notice that to-morrow at the proper time, when the banking and currency bill is laid before the Senate, I shall address the Senate on the subject of banking and currency legislation.

Mr. OWEN. Mr. President, I ask that the print in parallel columns of House bill 7837 be printed further so as to show, on the left-hand page, the House bill as it stands without amendment. I make the request at the instance of a number of Senators who are not quite content with this form of the print.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oklahoma?

Mr. NORRIS. Mr. President, I have no objection to the Senator's request; but it occurred to me that while he was making that request he could add to the usefulness of this document if instead of these blank spaces where simply a note is printed he would have printed the section of the bill reported by one of the branches of the committee, the same as is done on the other side.

For instance, turn to page 3. I call the Senator's attention to the fact that one side of the page is blank, with simply a note there. I think that is rather misleading. When you examine this document, it does not give you an idea as to just exactly what the other section of the committee has reported. On these pages why are not both bills printed instead of one side being left blank?

Mr. OWEN. They are both printed. The only thing is that the language in one case is longer than in the other, which obviously makes necessary certain blank spaces.

Mr. NORRIS. I can see how that might occur; but from the notes that are printed in the blank spaces I judge that is not the case here. I have not had time to examine the print in detail.

Mr. NELSON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Minnesota?

Mr. OWEN. I do.

Mr. NELSON. I call the attention of the Senator from Nebraska to the next page, which gives him exactly what he wants. On the left-hand side, under the heading "Owen substitute," the Senator will find section 2 as amended by the Owen section of the committee, and on the other side he will find the same section as amended by the Hitchcock section of the committee, if I may use those terms.

Mr. NORRIS. Right on that point, that page calls to our attention another thing.

Mr. OWEN. There is so much conversation going on that it is impossible for me to hear the Senator.

The PRESIDING OFFICER. Will the Senate please preserve order? The Chair does not wish to have the business of the Senate again suspended in order to obtain order; but he will be compelled to do it unless Senators preserve order, as requested.

Mr. NORRIS. This is the suggestion I wish to make to the Senator from Oklahoma: One column is headed "Owen substitute," and the other "Hitchcock amendment." As I understand, the two reports occupy the same position. One is just as much a report as the other. Why are they not named the same? They ought either to be both called amendments or both called substitutes.

Mr. OWEN. The reason of that, Mr. President, is that on Saturday I gave notice that I should offer the amendment as a substitute, and ask that the substitute be printed and lie on the table. It being desired that all three of the proposals should be laid before the Senate, this proposed substitute is printed along with the House bill, showing the interlineations, by which it is made to give both the House bill, the amendments proposed by the section of the committee agreeing with me, and the amendments proposed by the Senator from Nebraska and the members agreeing with him. In order to make it still more obvious what the bill is, I have proposed to have the House bill printed on the opposite page, section by section, in accordance with the request of various Senators on the floor.

Mr. NORRIS. As I have stated, I have no objection to the Senator's request; but I think the Senator did not understand just what I was attempting to do, at least, on the particular point to which I am now calling his attention. One column is headed "Owen substitute." The other parallel column is headed "Hitchcock amendment." Why should they not be both called substitutes or both called amendments?

Mr. OWEN. I have no objection to the use of any word the Senator may desire. I intended to move this amendment as a substitute, and gave notice to that effect.

Mr. NORRIS. Will not the Senator include that change in his request? It is immaterial to me what he calls them, but they ought to be designated in the same way.

Mr. OWEN. This use of the terms was not at my instance. I did not have anything to say about it. I simply asked that these provisions should be printed in parallel columns, so that the Senate would have before it all three proposals. I gave notice on Saturday that I should offer to-day my amendment as a substitute; and I suppose because of that notice the printers designated this as a substitute.

Mr. NORRIS. I am not criticizing the Senator from Oklahoma.

Mr. OWEN. Oh, no; I do not so understand the Senator's remarks.

Mr. NORRIS. I simply call his attention to the two headings there. I think he will see at once that they ought to be the same, and I suggest that he include that in his request.

Mr. OWEN. No; I have no request to make on the subject. I do not know whether the Senator from Nebraska [Mr. Hitchcock] desires to move to strike out my proposed substitute and insert his own, or not.

Mr. NORRIS. Mr. President, it is not a question of what the Senator from Oklahoma wants, nor of what the Senator from Nebraska wants. We shall be sending out these documents at the request of citizens who are interested in the matter, and we want to convey to them the correct idea.

Mr. OWEN. I ask, then, that in the reprint the term "substitute" be struck out of the print, and it be made to read "Owen amendment."

Mr. NORRIS. All right; that is perfectly satisfactory.

Mr. OWEN. I think that will meet the proposal.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oklahoma? The Chair hears none, and it is so ordered.

Mr. OWEN. I now ask that within the limit of \$500 a sufficient number of these documents (S. Doc. No. 242) be printed for the use of the country, in order to supply the demand for them, which, I am told, will be very considerable.

Mr. STONE. The Senator means containing the three propositions?

Mr. OWEN. The three propositions; yes.

The PRESIDING OFFICER. Without objection, it is so ordered. Morning business is closed. The consideration of the calendar under Rule VIII is in order.

Mr. OWEN. Mr. President, I ask unanimous consent to take up for consideration House bill 7837, known as the banking and currency bill.

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. OWEN. Mr. President, House bill 7837 has been reported by the Committee on Banking and Currency without recommendation, the committee having divided into two sections—six on one side and six on the other. There has been printed, first, the House bill without amendment; second, the House bill as proposed to be amended by the chairman of the committee and his Democratic associates; and, third, the House bill as proposed to be amended by the Senator from Nebraska [Mr. HITCHCOCK] and his Republican associates. The views of each section of the committee have been printed in Report 133 as appendices.

On Saturday last I gave notice that to-day I should move to amend the House bill by striking out all after the enacting clause and substituting the House bill as amended by the Democratic section of the committee.

I have proposed this substitute merely as a matter of parliamentary convenience, the proposed substitute being merely

the House bill with numerous unimportant changes in phraseology, with some changes of considerable importance. It will greatly facilitate the consideration of the bill to use the substitute in lieu of considering every one of the changes made in the House bill.

This bill probably is the most important measure that has been presented to the country since the Civil War. The American banking system has had some very serious defects. The principal defect of our system has been that the country has had no adequate protection against panics, so that from time to time the country has been shaken to its foundations by the severest financial panics, throwing into chaos our commerce, our manufactures, and our industries, from which the recovery in some cases has taken as much as four or five years. This bill is intended to correct the chief defects in our system.

The last great panic which shocked this country was that of 1907, in which, beginning in January with some measure of unrest, interest rates began to go through violent fluctuations, running on the New York Stock Exchange from as low as 1½ per cent to as high as 45 per cent in January, 1907; a like fluctuation in March from 2 to 25 per cent; and in October going through such fluctuations so that on the New York Stock Exchange money commanded as high as 125 per cent interest, with the most tremendous fluctuations in the price of stocks, and, indeed, in the price of other forms of property which apparently had no relation whatever to the stock exchange, because of the interruption of the credit system of the country.

These extreme disturbances in the interest rates were attended with the most tremendous changes in the selling price of the principal stocks, a few examples of which I present:

Fluctuation of principal stocks during 1907.

Name.	Capital.	Value of stock.												Range of prices.
		Jan. 12.	Feb. 4.	Mar. 4.	Apr. 6.	May.	June 8.	July.	Aug. 10.	Sept. 7.	Oct. 5.	Nov. 9.	Dec.	
1. Allis-Chalmers Co.	\$19,820,000	\$43	\$14½	\$13½	\$12½	\$11½	\$10½	\$11½	\$10	\$6½	\$6½	\$5½	\$6½	\$27 to \$4
2. Amalgamated Copper Co.	153,287,900	119½	111	110	97½	96	86½	92½	74½	71½	59½	48	48½	130 to 33
3. American Beet Sugar Co.	15,000,000	21½	18½	18½	16½	15½	13	16	11	12	11	8½	10	36 to 7
4. American Ice Securities Co.	19,029,400	85	83	81	80	72½	-----	69½	54½	52	-----	11½	16½	94 to 8
5. American Telephone & Telegraph Co.	131,551,400	130	128½	-----	122	123	-----	-----	-----	-----	-----	90	103	186 to 88
6. Baltimore & Ohio.	132,165,500	119½	115	109½	101½	99½	95	98	93	91	89½	80	82½	125 to 55
7. Erie.	112,379,900	42½	34½	33½	25½	24½	22½	25½	22	21½	18½	17½	16½	52 to 10
8. Great Northern.	149,577,300	183½	166½	159½	138	136½	127½	135½	121½	128½	128	113½	119½	348 to 107
9. New York Central.	178,292,100	132½	125½	124½	120½	116½	112½	114½	105½	105½	102½	98	98½	174 to 89
10. Southern Railway	119,900,000	31½	26½	25½	22½	21½	19½	20½	17½	16½	12½	12½	40	42 to 10
11. Tennessee Copper.	5,000,000	-----	-----	51½	-----	41	36½	39½	32½	36	30	22	27	-----
12. Tennessee Coal & Iron.	22,553,600	158	-----	147	144	145	139	141½	-----	-----	-----	-----	-----	166 to 25
13. Texas Pacific.	38,760,000	35½	32	32½	29½	29	27½	31½	26	28	25½	18½	20½	54 to 13
14. Third Avenue.	16,000,000	122	117½	116½	110	110	105	-----	85	54	40	20	22	141 to 15
15. Union Pacific.	195,479,100	180	171½	170½	141½	148½	136½	142½	127	131½	127	111½	116½	195 to 44
16. United States Steel Corporation.	598,495,200	49½	43½	43½	37½	37½	34½	38½	31½	32½	26½	24½	27½	55 to 8
17. Wabash.	38,000,000	17½	16½	14½	14½	14	12½	13½	12	12½	10	9	10½	36 to 6
18. Westinghouse E. & M.	29,996,350	149½	150	150	146½	143½	142½	142	141	133	122	47	70	233 to 32
Volume of sales for the week, in number of shares.		4,932,000	6,295,615	5,802,476	6,176,753	3,786,059	3,169,313	2,301,758	4,436,982	2,588,258	2,481,097	1,817,591	4,613,552	-----

I call attention also to the violent fluctuation of loans made by the New York City banks and their deposits, showing that loans were contracted between the January and March statements \$40,000,000, and suddenly expanded in the May statement \$64,000,000, and suddenly contracted in the August statement \$40,000,000, and violently expanded \$63,000,000 in the December statement.

Reports of New York City banks from January, 1907, to January, 1908, showing loans, individual deposits, and reserves during that period.

Date of call by office of the comptroller.	Banks reporting.	Loans.	Deposits.	Reserves held.	Per cent of reserves.
Jan. 26, 1907.	40	\$728,319,528	\$857,875,410	\$230,116,200	26.82
Mar. 22, 1907.	37	688,703,472	803,590,176	211,379,340	26.30
May 20, 1907.	39	752,566,083	866,332,979	233,329,867	26.93
Aug. 22, 1907.	38	712,121,058	825,703,785	221,349,657	26.81
Dec. 3, 1907.	40	775,181,207	824,394,509	180,448,128	21.89

The beneficiaries of this panic were those who could command cash and who had prepared themselves for the cataclysm which engulfed everybody but themselves.

Because of the tremendous national catastrophe of 1907, which Senator Aldrich estimated to have cost us over two thousand millions of dollars, the entire country demanded some prompt relief. A measure was brought in in Congress by Mr. Aldrich which finally culminated in the legislation known as the Vreeland-Aldrich Act, which undertook to give some measure of temporary relief by the organization of credit associations, by which currency to the possible extent of \$500,000,000 could be obtained against the combined assets of the associations. While that measure was very defective in numerous particulars, and while it did not at all reach the fundamental defects of our banking system, it at least afforded some measure of protection in abating a panic and in moderating its injurious effects.

The responsibility of the authorities then in charge of the Government for the panic of 1907 I pointed out on the floor of the Senate on Tuesday, February 25, 1908, showing that they

had rejected a plan offered as an amendment to the act amending the national-bank act of 1900, known as the Aldrich bill of that date.

Senator James K. Jones, on the 6th of February, 1900 (CONGRESSIONAL RECORD, p. 1534), offered the following proposed amendment, which I had the honor to draft and which would have given the country protection from the panic of 1907 if Mr. Aldrich had had the wisdom to have adopted it:

That the Secretary of the Treasury is hereby directed to have printed and to keep on hand United States Treasury notes under a special account to be called the "emergency circulation fund." Such notes shall be full legal tender. Any citizen of the United States shall have the right to deposit United States bonds under rules and regulations to be prescribed by the Secretary of the Treasury, and to receive from such fund 90 per cent of the face value of such bonds in United States Treasury notes, and shall have the right at any time within 12 months to redeem such bonds by repaying in United States Treasury notes the amount so received by him on account of such bonds, with interest at the rate of 6 per cent per annum on such amount. Failure to redeem such bonds within the limit of 12 months shall operate as a forfeiture of such bonds to the United States, and such bonds shall be sold to the highest bidder in the open market, and the balance, after the payment of the principal of the amount advanced, the interest on the same, and the expenses, shall be paid to the former owner of such bonds. Any moneys received from such sale may be exchanged with other moneys in the Treasury, so that this fund shall consist alone of Treasury notes. The principal of all sums so advanced when repaid shall be returned to the "emergency circulation fund," and all interest upon such sums shall be passed to the credit of the Treasury under miscellaneous receipts.

His refusal to accept it made him and his party associates directly responsible for the panic of 1907, or at least for the sin of omission which permitted this panic to occur.

The Vreeland-Aldrich bill of 1908 took the preliminary steps, however, looking to a thoroughgoing investigation of the banking system of the United States. The National Monetary Commission was authorized to make a searching investigation and inquiry and to make proper report to the Congress of the United States as to suitable remedies. This commission made a careful and searching investigation of the banking systems of the entire civilized world, giving a complete report of the banking systems of the German Empire, of France, of Belgium, of Holland, of England, of the European countries, and also of Japan, Canada, and Mexico, giving a full account of the banking systems of the various States and of the United States.

The report of the National Monetary Commission was published during several years in 33 volumes and a vast amount of literature assembled, making a library of between 2,500 and 3,000 volumes. This work involved a public expenditure of nearly \$300,000. At its conclusion the National Monetary Commission recommended a central bank controlled by the banks of the country, a voluntary association, however, with numerous powers, which I will not here recount. See Senate bill 7, present session.

This measure was presented throughout the country in the various States before numerous gatherings of bankers and business men and credit men. It was urged very strongly by a vigorous propaganda, and finally was approved by the American Bankers' Association.

The matter became a question of public concern. It became a question of party division, and the Democratic National Party in Baltimore passed a resolution condemning the proposed central bank plan, condemning it in the following words, which I wish to call to the attention of Senators:

We oppose the so-called Aldrich bill or the establishment of a central bank.

These words appear in the record of the official proceedings of the Democratic national convention. Strangely enough, in the campaign book following the letter "f" was inserted in some way unknown, so as to make the language read, "We oppose the so-called Aldrich bill for the establishment of a central bank," making a complete change of meaning.

Mr. HITCHCOCK. Mr. President—

Mr. OWEN. I yield to the Senator from Nebraska.

Mr. HITCHCOCK. In this connection it may be interesting to the Senator from Oklahoma and others also to know that I caused an examination of the daily papers printed the day following the convention, and that some of them printed the word "for" and others published it "or." Possibly the most accurate paper in the United States, the New York Herald, published it "for."

Mr. OWEN. Mr. President, the official record said "or," and who was responsible for the insertion of the letter "f," making it read "for" instead of "or," has not been sufficiently disclosed. But there are interests in the country standing strongly for a central bank that might be able to account for this sin of commission, if it be a sin of commission.

At all events, Mr. President, the people of the United States profoundly objected to the Aldrich plan of a central bank be-

cause the plan proposed to put into the hands of private persons the control of the credit system of the United States, which already had been so far concentrated in private hands as to have become a national scandal and a national danger of vast importance.

The bill was condemned by public sentiment, so far that although it was presented to the Senate of the United States, with the party in power supposed to be very friendly to those who were advancing the bill, that measure never received any consideration in the last Congress and has not been seriously advanced in this Congress, although it was introduced into the Senate as Senate bill No. 7.

Mr. President, not only has this matter, therefore, been considered during the last five years, but during the summer before last, beginning in May, 1912, there was a very careful examination made by one branch of the Committee on Banking and Currency of the House of Representatives, under the management of Mr. Pujo, acting as chairman of that subcommittee of the Committee on Banking and Currency of the House of Representatives, into the so-called Money Trust. It was a very remarkable investigation, covering several thousand pages of printed matter, with a most illuminating report, prepared under the direction of the committee and drafted by one of the ablest and most patriotic men in the United States—Samuel Untermyer, of New York—showing that a fraction over a hundred men exercised dominating control over property amounting to \$22,000,000,000, an unthinkable sum, practically a third of the national wealth, excluding the land of the country.

The Pujo examination verified what was generally well understood, that so far had the concentration of financial and commercial power proceeded in this country that a handful of men exercised practically commercial and financial supremacy over the people of the United States; that they could at their will shake the foundations of the country; that they could at their pleasure cause not only stringency, but, what is far more dangerous, could carry those stringencies of credit to a point of absolute and overwhelming panic that could close the doors of the banks of this country from the Atlantic to the Pacific in a single day.

I shall not pretend to believe for one moment that the panic of 1907 was an accident. It is a long story. I can not at this time go into that story, but I profoundly believe that the result in October, 1907, was a part of a concerted plan by which a few men did two things, first, enriched themselves on the one hand at the expense of the Nation, and administered what they conceived to be a terrifying political rebuke to the administration then in power.

I have always contended that a drastic congressional investigation of this panic should have been made and its promoters and beneficiaries exposed to full public view.

The Pujo investigation did not end this inquiry into our banking system. The chairman of another branch of the Committee on Banking and Currency of the House of Representatives, Mr. GLASS, of Virginia, who is justly entitled to very great credit in preparing and helping to perfect this bill, began the consideration of the question with a view to framing a bill to afford adequate remedy to this country against the exercise of individual unrestrained and irresponsible power over the business men of this country. That committee patiently heard the representatives of the great banking institutions of the country, of the great commercial houses of the country, of financial experts, and their investigations were printed in a volume of over 700 printed pages.

Nor was that the end of the investigation. I refer to these investigations because it has been given out to the country in various ways that the Congress of the United States was dealing with this matter with extreme haste, that Congress was rushing through a measure affecting the interests of the country without suitable inquiry or examination. I remind Senators that when the Aldrich bill was proposed to be submitted to the Senate the very men who recently have said "do not be in haste" were at that time urging haste on a proposal which would have concentrated in private hands the control of the credit system of the United States.

But this was not all. In addition to the investigation of the Monetary Commission, the investigation of the Pujo committee, of the Glass committee, numerous hearings were extended to representatives of the American Bankers' Association by those who were charged with the duty of making a preliminary draft for the consideration of their colleagues, and when these hearings had been much extended finally there was a preliminary draft made of this bill.

But before it was ever submitted it was considered by many thoughtful, careful men, various amendments suggested, various amendments made, and finally it was brought into the

Committee on Banking and Currency of the House of Representatives and there discussed. It was afterwards discussed in the Democratic conference of Members of the House of Representatives, and then discussed on the floor of the House of Representatives, and finally came to this body on the 18th of September last. But before it came here the members of the Banking and Currency Committee of the Senate had been giving this matter attention, had been studying it, had been considering it, and they began their formal hearings on the 2d of September last. Sixteen days before the bill reached the Senate they began to take evidence upon this question, and finally concluded the taking of evidence on the 25th of October, and submitted it to the Senate in three volumes, including something over 3,200 printed pages of matter. We heard at length the representatives of the banks, the representatives of business interests, of credit associations, of clearing houses, of financial experts, and of interested citizens not claiming to be experts. The committee, with great patience and industry, gave a careful consideration to various groups of people, and finally submitted to the Senate as a Senate document these hearings.

So, Mr. President, it is impossible for anyone to contend that the Congress of the United States has not given this matter the most infinite pains and considerate care.

It finally transpired that the members of the Committee on Banking and Currency of the Senate could not come to an agreement on the amendments which they thought should be made to the bill. But, Mr. President, I think the country is to be congratulated on the extent to which the members of the committee did agree. They did agree upon many questions of fundamental and far-reaching importance.

They agreed upon the necessity for a greater concentration of the banking reserves of the country;

They agreed upon the extent to which the volume of these reserves should be concentrated;

They agreed substantially upon the volume of the capital of the proposed banks;

They agreed upon the mobilization of such reserves;

They agreed upon the promotion of an open discount market;

They agreed upon the provision for elastic currency;

They agreed upon the issuance of Federal reserve notes;

They agreed that the Federal reserve notes should be the obligations of the United States;

They agreed that the system should be the regional Federal reserve bank system, instead of a central bank; and, finally,

They agreed that the control of the system itself should be in the hands of the Government.

The points of disagreement were as to the number of banks. One-half of the committee, I think it may be fairly stated, believed as an economic proposition that it would be better to have a central bank; and their point of view was, of course, necessarily influenced by that opinion, and naturally in drawing a bill they would be influenced in drafting the bill by that consideration.

The points of difference between the two sections of the committee were upon the number of the banks, the method of subscribing for the stock of such banks, the method of electing the directors of such banks, the method of administering the regional reserve banks. These differences arose, as I have said, because there were two schools of thought in the committee, one believing in a central bank, administered by the Government, and the other believing with the House of Representatives and with the President that these banks should be regional banks, controlled by the banks under supervisory control of the Government.

Mr. President, the purposes of this great measure should be kept steadily in mind in considering the bill.

PURPOSES OF THE MEASURE.

The purposes of this measure are:

First. To insure the stability of our commerce, of our manufacturing enterprises, of our industries, and the safety of our merchants and manufacturers and business men generally.

Second. To make available effective commercial credit for individuals engaged in manufacture, in commerce, in finance, and in business to the extent of their just deserts.

Third. To put an end to the pyramiding of the bank reserves of the country and the use of such reserves for gambling purposes on the stock exchange.

Fourth. To keep constantly employed the productive energies of the Nation. And this consideration is of vital importance to the laboring men of the country who are dependent for their daily bread upon constant, regular employment. Our crimes, our vices, our chief social evils come from lack of regular remunerative employment.

In order to accomplish these purposes of the bill, there are certain great fundamentals recognized by the best experts as essential and necessary:

First. The proper concentration and mobilization of the bank reserves of the country under the control of the banks themselves, safeguarded by a strong governmental supervision.

Second. A suitable banking capital, with a double liability as a margin of safety of the reserves of the Nation, as a margin of safety of the Government deposits which are expected to be placed in the Federal reserve banks.

Third. The authorizing of the issuance of elastic currency against liquid commercial bills under proper safeguards.

Fourth. The establishment of an open market for liquid commercial bills by providing through the reserve banks a constant and unfailing market for such bills at a steady rate of interest.

And, finally, for the protection of the gold reserve of the United States by the ability, through the Federal reserve board, to raise the rate of interest through the Federal reserve banks and to require them, if necessary, to provide against the contingency of gold shipments by buying foreign bills in advance (when rates are low and credits expanding), which can be sold to avoid gold shipments, and in that way stabilize the gold reserves of this country and prevent them from being withdrawn. I remind you our great credit system, which has now 25,000 independent banks and approximately twenty thousand million dollars of deposits, rests at last upon certain reserves of actual money; and if that money, which is fundamentally gold or its equivalent, be withdrawn from this country our commercial fabric would crumble, because every dollar of lawful money is the basis of over \$12 of credit. Therefore it is of supreme importance that we should be able to protect the gold of this country against being drawn away from the banks, where it now operates as a reserve upon which credits are built up. The withdrawal of reserve money means compulsory contraction of twelve times as much credit, loans, and deposits.

This consideration is of supreme importance in dealing with our national banking system and in affording it adequate protection.

MECHANISM OF THE SYSTEM.

Mr. President, the mechanism of this system by which we propose to accomplish these beneficent results is a system of 8 regional banks. The House of Representatives provided for not less than 12 regional banks. Some have believed that the smaller number would be better; it is a matter upon which men divide; but I call to your attention that England is only a very small geographical area, and yet they have one of these great public utility banks—the Bank of England. Scotland has its own system; Ireland has its own system; the Netherlands has its own system, its own public utility bank.

The Bank of Belgium serves as a public utility bank for Belgium. France has its own public utility bank; the German Empire has its own great public utility bank, serving the functions which we expect to be served for this country by these Federal reserve banks. But I call to your attention that the area of France is less than that of Texas; that the German Empire is smaller in area than Texas; that England and Belgium and Holland, which have three of these great public utility banks, has a smaller area than Oklahoma. So in this country of ours, which is 3,000 miles from east to west, and which is 1,500 miles from north to south, if it shall have 8 of these regional banks, or if it shall have 12 of these regional banks, it will still have a less number many times over, considering the distances to be traveled, than has Europe. Eight banks in the United States would give an area of about 700,000 square miles to each on an average, an area about 20 times the size of the great State of Indiana.

These proposed Federal banks are intended to be controlled by a board of nine directors of three classes—class A, class B, and class C. It is proposed that class A shall be chosen by the bankers, to consist of bankers in touch with the banking business, experts in their line. It is proposed that class B shall be chosen also by the bankers, but they shall be business men and not bankers, representative of the commercial and industrial interests of the section from which they are chosen; and class C, consisting of three members to be chosen by the Federal reserve board, representing the interests of the United States, one of the members of class C to be the chairman of the board and to be Federal reserve agent in charge of the interests of the Government, thus assuring complete publicity to the action of the banks, insuring fairness of dealing on the part of the directors of the banks, protecting the Government in its interests in furnishing Federal reserve notes to the Federal reserve banks, safeguarding the collateral upon which these notes will be based, and retiring the notes when they

come back, having served their purpose. Another member of class C would be a deputy chairman and a deputy Federal reserve agent, so as to have at all times at hand a proper representative of the Government of the United States in dealing with these regional reserve banks.

Moreover, in order that the members of class A and class B directors should be judiciously chosen, to avoid any attempt on the part of any particular set of banks to control the whole six directors, it is proposed to classify these banks into the banks of the largest size, the banks of medium size, and the banks of the smallest size, allowing the small banks to choose one of class A and one of class B, the medium-sized banks to choose one of class A and one of class B, and the larger banks to choose one of class A and one of class B. In that way each one of the classes of the banks will have their proper representation upon the board. Each bank has one vote.

The entire board and all the officers may be removed by the Federal reserve board for cause. The supervisory and examining power by the Government is complete. The bank rate may be fixed by the Government board and Government deposits may be made or withdrawn. Federal reserve notes may be loaned or refused, and at such rates as the Government may fix. The public interests are completely and most abundantly protected.

The point has been raised—and that is in issue between the two sections of the committee—that we ought not to allow the banks to have a majority of directors, but that the Government ought to name a majority of the directors. The reason why those agreeing with me and with the House of Representatives believed it was wiser to have the banks name a majority of these directors was this: We are requiring of the banks to put their reserves into these reserve banks; we are requiring the national banks to put approximately \$400,000,000 into these great reserve banks and inviting the State banks and trust companies to contribute in proportion, for their own safeguarding. It is true, but also for the safeguarding of the national financial system and our national commerce; but we are requiring them to put in \$400,000,000. When we do that, it is going too far to say to the men from whom we require these reserves to be so placed that they shall not be permitted to safeguard those funds. It is our duty to them, it is our duty to the country, to put upon them the responsibility of safeguarding their own funds by giving them a majority of the board of directors in those banks. Moreover, we must rely upon the friendly cooperation of these banks in order to induce them to put these reserves in the hands of the Federal reserve banks.

I remind the Senate that there are now over 18,000 State banks and trust companies and only a little over 7,000 national banks. If we impose conditions too harsh and too unjust we will be met in all human likelihood with the wholesale withdrawal from the national-bank system of the national banks from whom we are asking \$400,000,000 of reserves. Shall we permit this system to become a failure by imposing conditions so harsh and so ungenerous as to alienate those whose cooperation and friendly sympathy is necessary to the best development of this system?

Moreover, we are proposing to put approximately \$200,000,000 of Government funds in the Federal reserve banks, and if the banks are not stockholders, if they have no double liability as stockholders, we go before the country as placing the Government funds in the hands of the Federal reserve banks without a sufficient safeguard of capital and double liability of responsible stockholders. It is a serious consideration.

That is the reason, again, why the division occurred in the committee, those agreeing with the chairman of the committee and with the House of Representatives believing that the banks should be the stockholders, that the banks should have a double liability, and that the banks should be charged with the safeguarding of this system and with its success as stockholders, while, on the other hand, those disagreeing with us have believed that it was better to let this stock be sold to the miscellaneous public in order, as they would say, to popularize the stock. The value of the double liability of stockholders belonging to the miscellaneous public is a questionable matter. Some of them would be good and some of them would not, perhaps. Furthermore, it would be difficult in the extreme to enforce a liability of that character because of the multiplicity of stockholders and because of the possibilities of evasion.

The plan and purpose of this bill to give stability, to prevent panics, to make credit available, to end pyramiding of reserves, to abate stock gambling—all of those considerations urge that the Federal reserve banks should be banks for banks; bankers' banks; and not a public bank competing with the banks for business.

Our system in this country is entirely different from that of Europe. We have pursued in this country the system of developing independent banks. We have 25,000 individual independent competitive banks, while in Europe they have joint-stock company banks, gigantic in size, with thousands of branches. In this country each bank stands upon its own foundation. In that way we have developed in this country a wonderful banking system, which now, in the light of time, is shown to be far outstripping the European system. We have built up in this country the most gigantic banking capital and resources of any country in the world, and that is because of the independence and of the liberty of the little bank which springs up in a country village, which there safeguards the savings of the citizens at the crossroads and there takes the savings and invests them in local enterprises.

If the 25,000 banks were merely branches of some gigantic institution, it would abstract the earnings from the country village, from the small town, and from the cities and concentrate them in the great centers. The American system is to develop the immediate locality, to build up every section of the country; and our American banking system is better than the European system for that reason; but it carries with it the frailty of having made each bank dependent upon itself and upon its own reserve, and that has proven to be the dangerous weakness of the American banking system, because whenever any exigency threatens every one of the 25,000 banks begins to protect itself as well as it can by increasing its own reserves at the expense of others and by bringing its reserves home and concentrating them where they really have no need for them, but where they concentrate cash as reserves because they are afraid of panics, afraid of stringency—and they may well have fears if there be no place under the Government patronage and safeguard where they can get accommodation when they need it. They thus accentuate and bring about the very danger they fear. It must be remembered that under the credit system the banks owe about twelve times as much money as there is money in the banks.

They are credit merchants; they take credit from their depositors; they lend it on negotiable notes; they lend it on securities; and they are both debtors and creditors on a gigantic scale, and their welfare is inextricably interwoven with the welfare of the commerce and industry of this Nation. They deserve well of the country; they deserve the safeguards of their own Government; and nothing should be done, in my judgment, that would in any degree be unfair to the banks of the country; but, at the same time, the representatives of the great American people should frame a system by which it will be impossible for men intrusted with the credits of the country using their power injuriously, wrongfully, tyrannically, and with unseemly selfishness. Banks can kill any enterprise they choose if they deny credit. No man can build a railroad without bank credit; no man can build a manufacturing enterprise for any of the great necessities of life without relying upon the banks. We had brought before our committee some very striking evidence bearing upon this subject; but no evidence is necessary, because it is perfectly obvious that where there is a concerted denial of credit the banks can destroy any enterprise.

CONCENTRATION AND MOBILIZATION.

Mr. President, we are proposing to concentrate these funds; and there will be concentrated in the hands of these eight regional banks, or reserve banks, approximately \$400,000,000 of reserves. We propose a capital of \$106,000,000, amounting to 6 per cent of the capital and surplus of the national banks of the country, of which we propose that one-half shall be paid in during a period of six months after the system is established, making a total payment of \$53,000,000 on capital stock. We propose that the Government funds shall be concentrated in these banks to a certain extent, amounting probably to one hundred and fifty or two hundred million dollars. Then we propose by this system to mobilize these reserves.

I call the attention of the Senate to the important difference between mobilization and concentration. The terms are sometimes in error used synonymously. They are not synonymous at all. In reality you may have complete concentration without any mobility whatever. You may have these reserves concentrated and put in investment bonds, where they will have no mobility. The mobility of the great public-utility banks of Europe consists in their holding their resources in liquid form, as gold, as legal-tender money, as short-time liquid commercial bills, self-liquidating because drawn against commercial goods which have found a purchaser and which will be paid in cash upon short maturities. In that way they have made mobile the reserves of Europe.

More than that, as a part of this mobility of reserves they have built up a great, open discount market, which we have not in

the United States—an open discount market in which there are many dealers, private bankers as well as joint-stock companies and banks of all classes, handling acceptances drawn against actual shipments of goods, so that they carry in their portfolios, as if they were cash, these bills of short maturities. They are not accommodation bills. They are not investment securities. They are liquid commercial bills, acceptances, drawn against the shipment of actual products which have found a purchaser and which absolutely will be paid on the day when they fall due. In these bills the great public-utility banks of Europe deal by wholesale.

The president of the *Crédit Lyonnais*, for instance, said that he could liquidate his entire bank as fast as the physical work could be performed because of the liquid character of its assets and because the Bank of France stood ready to take those liquid bills off its hands.

The value of keeping these reserves in a mobile form and the value of this open discount market is that it will always—not sometimes, not in good times only, but always and without fail—afford to a business man entitled to credit the opportunity to get credit according to his just deserts.

It is unnecessary for me to point out how in the United States this has so far failed that in times of stringency, much more in times of panic, men go trembling, with hat in hand, seeking credit to which they are entitled and which they ought to have merely for the asking upon the class of securities which they can offer.

But we have gone further in proposing this plan of mobilization in the present bill. We have provided for the issuance of elastic currency, by which the Government of the United States places its strong hand behind the banking system of the United States in the support of our commerce and industry. These elastic Federal reserve notes are the best-secured notes that ever have been devised in any banking system in the world. I call attention to the character of the safeguards of these notes.

The first safeguard behind these notes is a commercial bill—a commercial bill of short maturity; a commercial bill drawn against an actual commercial transaction, against an actual shipment of goods which have found a purchaser. I remind you that in the case of such a commercial bill approved by a solvent bank, extending credit to a citizen whose credit is deemed good by that bank, on a note maturing within 90 days, the chance of the failure of such a man or such a note is not one in ten thousand. But the second security is that the commercial bill put up as collateral for these Federal reserve notes has the indorsement of the member bank. In view of the fact that under this bill the member bank is subjected to frequent examinations of a thoroughgoing kind, the chance of the member bank so indorsing such a commercial bill failing within the same 90 days is not one chance in twenty-five thousand; and the chance of the individual who signed the bill and the member bank both failing within 90 days is as ten thousand multiplied by twenty-five thousand, or about one chance in two hundred and fifty millions.

But in addition to that there is the fourth safeguard—the member bank's stock in the Federal reserve bank. There is a fifth safeguard—the amount of the reserve of the member bank in the Federal reserve bank. There is a sixth safeguard—the double liability of the stockholders of the member bank, if the member bank itself be deficient in meeting its obligation. There is a seventh safeguard—the 33½ per cent gold reserve required to be kept against the Federal reserve notes put in circulation by a Federal reserve bank. There is an eighth safeguard—the earning power upon the stock of the Federal reserve bank. There is a ninth safeguard—the Federal reserve note is a first lien upon all the assets of the Federal reserve bank. It has a tenth safeguard—the surplus of the Federal reserve bank. It has an eleventh safeguard—the double liability of all the member banks belonging to a Federal reserve bank. It has a twelfth safeguard—the double liability of the stockholders of the member banks belonging to a Federal reserve bank. And, finally, if that were not enough, it has behind it the taxing power of the United States and it is made receivable for public dues.

There never has been a note so safeguarded by any Government in the world. Yet these safeguards are thrown around these notes without any complicated machinery whatever. It is perfectly simple and perfectly plain. If a member bank wants to get these notes, it comes to the Federal reserve bank and brings its qualified bills, and gets against those bills Federal reserve notes to meet the seasonal demand.

I do not believe there will be any urgent demand for these notes for some time; but if there should be any demand by our national commerce, this bill provides, to meet the exigency, money of the highest class, an obligation of the United States safeguarded in the 12 ways I have described.

The banks very urgently contended that these notes should not be the notes of the Government; that they should be the notes of the Federal reserve bank only. I do not think it expedient to take the time of the Senate to discuss that feature now. Probably there will be abundant opportunity to bring up that matter at a later time. Democrats and most Republicans believe in the Government issuing the money of the country. The Democratic national platform has three times declared the doctrine in the last dozen years or so.

INTEREST RATE.

Another very important feature of the bill is that it places in the hands of the Federal reserve board the power to fix the rate of interest. This power primarily is placed in the hands of the Federal reserve bank directors; but the final determination of the rate is put in the hands of the Federal reserve board, in order to obtain the power which is necessary to protect the country as to the gold reserve by raising the rate where necessary; to protect the country against undue inflation; against undue expansion; against a speculative fever, by raising the rate, and, by forecasting the future, to protect the country in advance against any dangerous improvidence that might be brought about, by whatever cause.

Another very important feature is that allowing the Federal reserve board to fix the interest rate enables a standard to be set by which the business men of the country can hope to ascertain and know reasonably in advance what money will cost them in their enterprises, and, by knowing that they will have a stable rate of interest, to forecast the future with some degree of certainty.

One of the great injuries to this country has been that business men have been deterred from going into enterprises of various kinds because they could not foresee the future. They could not foretell what violent fluctuations of interest rates might occur. They could not tell when some tremendous stringency of credit might take place. I have placed before the Senate, in the Record and in these appendices, the astonishing record of the violent fluctuation of interest rates in the United States as compared with the stability, the uniformity, the steadfastness of rates in Europe. These tables I have laid before you. I placed them in the Record a month ago. I repeat them now in the appendices to my report on this bill; and I solicit from Senators their careful and conscientious attention to these interest rates. Let it be understood that in the American Republic we are going to have, in the future, the same stability of interest rates that prevails in Europe.

I call your attention, for example, to the fact that for 75 per cent of the time the rate of the Bank of France has not exceeded 3 per cent, and over 85 per cent of the time has not exceeded 4 per cent; that the Bank of Belgium has not exceeded 6 per cent in 50 years, even with a panic affecting the interest rates in England or in Germany; but that the interest rates in Germany and in England have been of wonderful stability.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Nebraska?

Mr. OWEN. I yield to the Senator from Nebraska.

Mr. NORRIS. I should like to inquire of the Senator whether the bill he proposes provides that the interest rate must be the same all over the country, or will it be different in different reserve regions?

Mr. OWEN. No, Mr. President; it is left primarily to the local board, and then to the final determination of the Federal reserve board. The reason for that is that it was believed that the conditions in one section of the country might be sufficiently different from those in another to justify at times a different rate of interest.

I call the Senator's attention to the fact that out on the frontier what purports to be the interest rate is something more than the interest rate. It also involves the element of insurance, because in some classes of loans on the frontier there is greater jeopardy than in the portions of the country where conditions are more settled.

It was thought that occasions might arise in some particular section when there might grow up, for some reason not now foreseen, a spirit of speculation which it might be desirable to control to some extent by the rate of interest; or an occasion might arise where a section was languishing for want of proper support, which would justify a lower rate of interest.

Mr. NORRIS rose.

Mr. OWEN. I yield to the Senator from Nebraska.

Mr. NORRIS. I should like to inquire of the Senator further whether this is one of the points of difference or agreement between his section of the committee and the other section. In other words, does the other section propose that the rate of discount shall be the same in all Federal reserve banks?

Mr. OWEN. At this moment I do not recall as to that. I remind the Senator that the print has come out only during the last day or two, and I have not had an opportunity to inspect it sufficiently to be thoroughly advised as to its contents.

Mr. HITCHCOCK. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Nebraska?

Mr. OWEN. I yield to the Senator from Nebraska.

Mr. HITCHCOCK. The question raised by my colleague from Nebraska is hardly a practical question as it relates to the bill I have reported, for the reason that we divide the country into only four districts—one headed in New York, one in Chicago, one in St. Louis, and one in San Francisco. The remote regions of the country which might fall in one of the eight districts proposed by the bill reported by the Senator from Oklahoma will be included in our bill in either New York, St. Louis, Chicago, or San Francisco, and just as low rates as prevail in New York, Chicago, St. Louis, or San Francisco will prevail throughout the whole region covered by the reserve banks in those cities. So it is not a very important question in the bill which I had the honor to report whether any provision of that sort is made or not. We think the rate in Chicago will probably be as low as in New York, and in St. Louis it will probably be as low as in Chicago.

Mr. OWEN. I take it that under either proposal there would be substantially a uniform rate; but in the proposal which I had the honor to submit to the Senate there was the power, if the exigency should justify it, to make a different rate in a different district.

EARNINGS.

Now, Mr. President, we propose in this measure also that in the matter of the division of earnings the earnings for the bank stockholders should be 6 per cent and no more, and that all the remaining portion of the earnings should be used for building up the surplus and should belong to the Government. The reason of that policy is that we believe these great public-utility banks should not have as their motive or as their moving policy money-making for the stockholders; and, indeed, that is the policy which is pursued by the Bank of England, the Bank of France, and the Bank of Germany. They do not pursue the policy of taxing the commerce of the country "as much as the traffic will bear," to use the old phrase, in order to earn dividends and pay dividends to their stockholders, but they regard themselves as great public-utility banks. They do earn a satisfactory interest for the stockholders, but they do not pursue the policy of merely earning money for the stockholders. They regard themselves as the guardian of the public interest, the public welfare, the general welfare.

STATE BANKS AND TRUST COMPANIES.

We have provided in this measure that the State banks and trust companies desiring to avail themselves of the privileges of this act should have the right to come into the system upon the same terms, substantially, as the national banks, requiring them, however, to submit to a proper examination, to be assured that they were solvent, requiring them to comply with certain reasonable rules that now rest upon the national banks and which are set forth in some detail in the report which I have had the honor to submit.

I will call the attention of the Members of the Senate to the probable readjustments of cash under the reserve requirements of this bill, which have been worked out in some detail and submitted in the report. I will not trouble the Senate with going into the details of that mathematical calculation, although it is a very important one, and it is of the highest importance to the banks of the country that the questions involved should be intimately and analytically considered. I will call attention only to the final result.

If the national banks going into this system should avail themselves of one-third of the funds of the Federal reserve banks by rediscount, there would be a cash margin of \$18,000,000. If they avail themselves of one-half of the resources of the Federal reserve banks, there would be \$114,000,000 of cash surplus. If there should be two-thirds of the fund of the central reserve banks borrowed, there would be \$219,000,000 of cash surplus.

But I call the attention of the Senate to the very important fact that the State banks, which have not in their vaults anything like so large a proportion of cash as the national banks, would have a possible deficit of \$239,000,000 in cash, if every one of them should come in and if they should only avail themselves of the right of rediscount to the extent of one-half of the reserves which they themselves put into the system. But this, of course, could be offset by the Federal reserve notes—if they might be emitted and if they might be used as reserves—could be offset by a somewhat larger supply of Government funds which are available, because the Government has, in fact, more

than \$150,000,000 that could be placed with these banks. I have only made the estimate upon the basis of \$150,000,000 of United States deposits. The Government, in fact, has over \$250,000,000 it could use, not to mention \$175,000,000 of Panama bonds due the general fund.

The cash could be further supplemented by the national-bank notes which are now not used as reserves by the national banks, but which are used as reserves by the State banks, the State banks having about \$60,000,000 of the national-bank notes as reserves, while the national banks have about \$40,000,000 which are not used as reserves, and there is about \$45,000,000 in transit through the Treasury of the United States. So taking the whole amount outside of the pockets of the people of the issue of \$722,000,000 of national-bank notes, there is outstanding in the hands of the banks and in the hands of the Treasury only about \$145,000,000, and I see no reason why they might not be made reserves under that state of facts, remembering that those notes are in reality not mere asset notes against the credit of the banks emitting them, but that they are secured in every instance by the bonds of the United States, dollar for dollar.

Now, the power to permit the banks to count as reserves the national-bank notes and the Federal reserve notes, we propose to put into the hands of the Federal reserve board, so if it is found that there is need for additional cash when these banks come into the system there may be available sufficient cash. There is no question in this bill of more vital consequence than that subject.

Some of the banks have urged that we should lower the reserves in the reserve cities from 18 per cent, as proposed in this bill, to 15 per cent. Mr. Reynolds, of the Commercial Bank of Chicago, who is a representative banker of a very high class, has insisted upon that. I received a telegram this morning from the national banks of Kansas City urging that that should be done. I think it should be done, thus releasing a somewhat larger amount of actual cash, nearly sixty millions, which otherwise would be locked up in the vaults of the banks or in the Federal reserve banks.

The powers of the central reserve board are general supervisory powers.

POWERS OF THE FEDERAL RESERVE BOARD.

To readjust districts created by the organization committee and create new ones.

To regulate the establishment of branches of Federal reserve banks within Federal reserve district in which bank is located.

To designate three (class C) of the nine members of the board of directors of each Federal reserve bank, one of these to be chairman of the board with the title of "Federal reserve agent," and one "deputy Federal reserve agent."

The Federal reserve agent to maintain a local office of the Federal reserve board on the premises of the Federal reserve bank. He shall make regular reports to Federal reserve board and be its official representative.

To remove any director or officer of a Federal reserve bank for cause stated.

To remove chairman of Federal reserve bank without notice.

To establish by-laws governing applications from State banks and trust companies.

"Of the six persons * * * appointed (by the President), one shall be designated governor and one vice governor of the Federal reserve board." The governor, subject to supervision of the Secretary of the Treasury and board, shall be the acting managing officer of the Federal reserve board.

To levy a semiannual assessment upon the Federal reserve banks for estimated expenses for succeeding six months, together with deficit carried forward.

To examine at its discretion the accounts, books, and affairs of each Federal reserve bank or member bank and to require such statements and reports as it may deem necessary.

To permit or require a Federal reserve bank to rediscount the paper of any other Federal reserve bank.

To suspend for a period not exceeding 30 days (and to renew such suspension for periods not to exceed 15 days) any and every reserve requirement specified in this act.

To supervise and regulate the issue and retirement of Treasury notes to Federal reserve banks.

To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section 21 of this act, or to reclassify existing reserve or central reserve cities and to designate the banks therein situated as country banks, at its discretion.

To require the removal of officials of Federal reserve banks.

To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

To suspend the further operations of any Federal reserve bank and appoint a receiver therefor.

To perform the duties, functions, or services specified or implied in this act.

To determine or define (subject to stipulations) the character of paper eligible for discount for member banks.

To prescribe regulations for purchase and sale by Federal reserve banks of bankers' bills, etc.

To review and determine the minimum rate of discount for member banks established by Federal reserve banks and fix weekly the discount rate reserve banks may discount for each other.

To authorize establishment of correspondents and agencies of Federal reserve banks in foreign countries.

To authorize the issue of Federal reserve Treasury notes.

To receive, through the local Federal reserve agent, applications from Federal reserve banks for notes, such applications to be accompanied by rediscounted notes for deposit as collateral security.

To require Federal reserve banks to maintain deposits in Treasury of United States in gold of 5 per cent or more of notes issued.

To grant in whole or in part or to reject entirely the application from Federal reserve banks for notes.

To establish rate of interest on notes issued.

To prescribe regulations for substitution of collateral.

To make and promulgate regulations governing the transfer of funds among Federal reserve banks.

To act, if desired, as clearing house for Federal reserve banks.

To require, in its discretion, Federal reserve banks to act as clearing houses for shareholding banks.

To require extra examinations of national banks when deemed necessary.

To determine and report annually to Congress fixed salaries of all bank examiners.

To assess upon banks in proportion to assets or resources the expenses of examinations.

To fix a date for such assessment.

To arrange for special or periodical examinations of member banks for account of Federal reserve banks.

To receive from Federal reserve banks information concerning the condition of any national bank in its district.

To order examinations of national banks in reserve cities as often as necessary.

To add to the list of cities in which national banks shall not be permitted to loan on real estate as described.

To receive applications from national banks having \$1,000,000 or more capital for the establishment of branches in foreign countries, to reject or accept such applications, and to prescribe conditions under which such branches may be opened.

To require examinations of foreign branches as it may deem best.

I do not think that it is necessary to take the time of the Senate at this general presentation of the bill to discuss in detail those powers, except to say in a broad way that the powers are intended to cover the complete supervisory control of this system. It is perfectly obvious that these powers make it entirely unnecessary to deprive the banks of six directors on the Federal reserve bank board on any theory that the banks could use such powers injuriously. The Federal reserve board even has the power to remove the directors of the Federal reserve banks or any of their officers for cause, so that the supervisory control of the United States will be complete. But we have not believed it wise to charge the United States with the technical detailed administration of the banking business by making the Government entirely itself responsible by giving the United States a majority of the directors and charging the United States with the duty directly of extending credits to member banks through these directors and administering this gigantic system by purely public functionaries.

The sympathetic cooperation of the banks, the membership of the banks, is essential and should not be jeopardized.

Mr. BRADY. Mr. President—

Mr. OWEN. I yield to the Senator from Idaho.

Mr. BRADY. I understand the bill provides that the directors elected by the different banks of the association elect the main director and that he is designated as the agent of the Government.

Mr. OWEN. The Federal reserve board names three of class C, one of them being the chairman of the board.

Mr. BRADY. And it is one of the three named by the Federal reserve board who is named as the agent of the Government?

Mr. OWEN. Yes. In order to bring the Federal reserve board into intimate touch with the conditions of the country we have provided for a Federal advisory counsel, each Federal reserve bank electing a man to represent them and to confer with the Federal reserve board, to obtain information from the Federal reserve board, and in that way to give complete publicity to the actions of the Federal reserve board, but more, to give the Federal reserve board the intimate knowledge of the conditions of business in each and every section of the country where there is established a Federal reserve bank. In that way it is hoped to make the Federal reserve board more efficient.

I need not say, Mr. President, that no one can have any doubt that the members of the Federal reserve board should be men of the most distinguished attainments, men who should rank favorably in comparison with members of the Supreme Court of the United States, because in reality this Federal reserve board will be a supreme court of American finance, safeguarding the commercial interests of this Nation, protecting our gold reserve, protecting our banking system, protecting our commercial system, protecting the individual credit of the private citizen, and giving him a fair deal in the struggle of commercial and business life, and seeing to it that every citizen shall receive the just amount of credit to which he is entitled by character and by resources.

ABATEMENT OF STOCK GAMBLING.

Mr. President, one of the most far-reaching results which will follow will be the abatement of the nuisance of the national menace of the stock-gambling operations in this country, be-

cause this measure proposes to gradually withdraw these reserves, which have heretofore been pyramided in the three great central reserve cities. I call the attention of the Senate to the peculiar situation in which a banker in a Federal reserve city finds himself. These reserves are pyramided there; under the custom 2 per cent is paid for the use of the funds; and he finds himself in an attitude where he is compelled to keep liquid, at whatever expense, a considerable volume of his resources over and above his 25 per cent reserve. He has no great public utility bank in this country to which he can go for credit. He has no open discount market in this country. He can not convert quickly into cash his liquid commercial bills. The only place that he can get his resources quickly in cash is upon the stock market. Therefore these men have been forced by the conditions surrounding them to lend money by hundreds of millions upon the stock exchange. When the time comes and they need the funds, under the hard rule which prevails on the New York Stock Exchange, that stock held on call can be sold on the stock market for cash. It may ruin the borrower; it may wipe out his margin; it may reduce him to bankruptcy; it may cause the most violent fluctuations of the interest rate; it may upset the interest rate, affecting the commercial life of the Nation; it may bring on a wholesale stringency of credit; it may involve the whole country in a disastrous panic; but it does bring the money; it does give the relief to the man who needs the money against that collateral.

So I think it is of great value to the great banks of the central reserve cities that they may have these Federal reserve banks established, and that they may get cash on their commercial bills in a quantity sufficient to meet whatever exigencies may arise.

We have been assured by some of the bankers of New York that they would be glad of the opportunity to withdraw their funds from the call market and place their funds at the service of the commerce and industry of our great Nation, and they will do that gladly and safely now, when these Federal reserve banks are established, where they can get the accommodation against their commercial bills.

Indeed, this bill goes further. It provides that a member bank, with the consent of the reserve board, may get accommodation against other classes of securities. That is an emergency measure, but it is an emergency measure of the highest importance. A bank may be subjected to some sudden demand. I remind you that the passing of a rumor around the country that a bank is not in a good condition may cause a run to be made upon the bank. I call your attention to the extraordinary spectacle at Kansas City a few years ago, when the National Bank of Commerce, one of the strongest and most powerful and solvent banks in the country, was compelled to stand up and be bled to death by a circular sent out by the Waters-Pierce Oil Co. to its agents throughout the country not to take any exchange on the National Bank of Commerce. It was a simple little circular; but they had thousands of agents, and every single corner of the country trembled immediately with the suggestion that the Bank of Commerce was in a failing condition.

Mr. THOMAS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Colorado?

Mr. OWEN. I yield.

Mr. THOMAS. I should like to inquire of the Senator what excuse or pretense was given by the Waters-Pierce Oil Co. for sending out such a circular? It is a most remarkable statement. If I had ever heard it before, I had forgotten it.

Mr. OWEN. It is a fact.

Mr. THOMAS. I have no doubt of it on the Senator's statement.

Mr. OWEN. I called the attention of the Senate to it five years ago.

Mr. REED. Mr. President, I think I can answer the question.

Mr. OWEN. I yield to the Senator from Missouri.

Mr. REED. If my recollection serves me correctly, the only explanation ever made was that the company had the right to direct its agents to accept or refuse paper drawn upon any bank, and that it was within its constitutional rights. That, I think, is the only excuse that was ever offered.

Mr. THOMAS. If my statement is incorrect, I hope I will be corrected; but I assume that this is the same Waters-Pierce Oil Co. which has an enormous oil concession in the Republic of Mexico and which is said to be behind one or the other of the parties engaged in revolution there.

Mr. OWEN. Mr. President, it is difficult to ascertain the motives of men, but the motive which seemed to be behind this remarkable performance would suggest the ancient story of Naboth's vineyard. At all events, that circular led to the National Bank of Commerce, with \$35,000,000 of deposits, stand-

ing there and paying out between \$17,000,000 and \$18,000,000 of cash before it finally failed and went into the hands of a receiver. Under such circumstances the Federal reserve bank system would make impossible the ruin of a great institution of that kind, and I pause to say that the institution afterwards proved to be solvent and is now a going concern in good condition.

But this bill provides, and it rightly provides, that in case of an emergency the Federal reserve bank, with the approval of the Federal reserve board, may extend the accommodation to a bank against its assets of whatever character, provided they are a good security. The central reserve city banks have little or no use for their present legal 25 per cent reserve, but work around a margin of 1 or 2 per cent reserve. This bill makes the whole reserve available.

REFUNDING 2 PER CENT BONDS.

Mr. President, the bill as passed by the House provided a method of refunding the bonds, providing that the Secretary of the Treasury might issue 3 per cent bonds, without the circulation privilege, in lieu of the 2 per cent bonds held by the national banks with the circulation privilege. The theory of that was that the Government would gain as much out of the interest on the Federal reserve notes issued through the Federal reserve banks as would compensate the Government for the payment of the 3 per cent interest on such bonds.

I think that calculation is properly made. But we have made a proposed change in this bill, allowing the Federal reserve banks to buy these 2 per cent bonds—that might be offered on the market by national banks not desiring to continue their circulation—and allowing the Federal reserve banks to issue Federal reserve bank notes against those bonds in lieu of the national bank notes retired.

There is no additional security, because the security is practically the same as now. At present the national bank that issues its notes against 2 per cent bonds does so against its own credit and bonds of the United States, the credit of the banks making amends for any supposed deficit of value in the 2 per cent bonds, if there be conceived to be any lack of value in the 2 per cent bonds. But in this case the Federal reserve bank, having probably an average of 2,000 member banks, and all those banks being good for such notes if emitted, the security is even better than under the old national bank system, without requiring any additional security.

Of course there would be in all human probability considerable gold reserve always available in addition. We expect by this system to have drift into these Federal reserve banks a very large part of the gold supply of the country. It will drift in by gravity, not only because the people are satisfied with the national bank notes as pocket money, but would be satisfied with the Federal reserve bank notes as pocket money; and naturally as these gold certificates flow through these Federal reserve banks, since it is a condition upon which they may emit Federal reserve notes that they have a gold reserve, they will probably retain those gold certificates and gold, and in that way the Federal reserve banks will steadily acquire a very large gold holding.

CLEARING CHECKS.

Mr. President, there is one other item that I think the attention of the Senate should be called to, and that is the clearing and collecting of checks. The House bill provided that the Federal reserve banks might clear checks at par for member banks. We have changed that so as to provide that the cost shall be ascertained and fixed by the Federal reserve board. We believe that it will serve a very great and useful purpose to provide for the clearing of checks to the extent that the member banks desire to send checks through the Federal reserve banks. Take one reserve bank, for instance, at St. Louis, with 2,500 member banks, each bank keeping its reserve there, each bank remitting to that center its checks, due from other banks, belonging to the same system, and all that will be necessary will be to make a cross entry upon the books of the Federal reserve bank, and a most economical adjustment of credits could be arranged in that way without loss of time. It would greatly increase the velocity of the check system. It would make a check more valuable. It would enable the banks to increase their deposits, because their checking deposits would be more valuable, and at the same time the complaint of the country banks that these banks would be in competition with them would be abated, because if the reserve bank could not make its exchanges of credit less than the actual cost and a small profit which ought to be allowed, it would not be in competition with the country banks.

Moreover, the amendment which we propose provides that the country banks shall not be interfered with in their present

method of selling exchanges against collection, from which some of them make a considerable profit.

SAVINGS BANK SECTION.

We have struck out section 27, providing for savings banks, because the banks of the country are unanimously against it. The national banks at present have a system of time deposits, upon which they conduct practically a savings-bank business very economically, and they use the funds collected in the banks in that way for local enterprises. They get a good rate of interest out of the savings deposits, which they collect in that way; and they all desire that they be left undisturbed in their present method.

So both sections of the committee have struck out the savings-bank section, and, indeed, I understand there is no great support of that section, even on the House side. It was put in as a last thought, thinking perhaps it might be useful.

There are, of course, other important improvements in our banking system which may be expected to be worked out, particularly the question of agricultural credits.

There is another system which I think will prove useful, and it will be discussed at the proper time, but this great measure for the Federal reserve bank system is of such urgent importance that it was not thought wise to bring into this bill questions relating to agricultural credits, nor the question of character banks, which have been worked out in Italy to a very high degree, or other considerations that might impede the discussion of this matter. So we have brought nothing into it that is not germane.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Nebraska?

Mr. OWEN. I yield.

Mr. NORRIS. Right on that point I wish to inquire of the Senator whether the bill he has proposed as a substitute makes any change in the House bill in relation to farm loans?

Mr. OWEN. It does. We have extended the time from nine months to five years, so as to enable some of the country banks that would like to handle these farm mortgages as merchants to buy them and turn them over and sell them.

Mr. NORRIS. Out of what fund does the bill permit the banks to make farm loans?

Mr. OWEN. It would be up to a certain limit; one-quarter of its capital and surplus is the provision, not to exceed one-half of the value of the property against which the mortgage is placed; 25 per cent of the capital and surplus would make a total of \$400,000,000, possibly, although the city banks are not likely to invest in farm mortgages, unless there should be built up a system by which these mortgages would be safeguarded.

Mr. NORRIS. As I understand it, the other branch of the Banking and Currency Committee has provided for a loan of some portions of the time deposits?

Mr. OWEN. Yes; and I thought that suggestion was an advisable one. I will say that in the proposals made by the other section of the committee—I have read them through somewhat hurriedly—I have seen several things that I thought were meritorious and which at the proper time could be accepted. The differences between the two sections of the committee, I think, can be reconciled by the Senate without any great difficulty. I only want to conclude my remarks in presenting this bill, made now for the purpose of opening the discussion, by saying that I think it is of very great importance to the business interests of the country that as soon as we can dispose of these differences between the two sections of the committee, as soon as we can get this matter passed, it is of the most urgent importance to do it, because the whole country is waiting; the business men are waiting, and the banks are waiting. The banks are piling up their reserves, because they do not know exactly what this bill is going to be, and they are doing the thing which would be natural for men to do to protect themselves against some exigency that they can not fully foresee. For that reason the banks are hesitating, and the business men of the country are finding it difficult to get the accommodations they ought to have. That aspect of it, of course, reaches Democratic business men, Republican business men, and business men who have no politics. It reaches everybody alike. It is a matter of the most urgent importance, and I do hope that the Senate will give, and I appeal to the Senate to give, the most urgent and immediate attention to the bill. I ask the Members of the Senate to read these bills presented to them, to read these reports as quickly as possible, and to give the time necessary to thoroughly comprehend this matter. I do not think it is a difficult matter. There are only a few elements in these bills—the concentration of these reserves, making them mobile, providing an elastic currency through the simple mechanism of these banks. That is not difficult. There is no particular difficulty about the bill. It is easily

understood by any thoughtful mind. Members of the committee have already heard so much of the discussion that I see no reason why the bill should take any very great time. The whole country has been waiting with a great degree of impatience upon us.

I thought it necessary to explain some of the history of the examination of this matter in opening my remarks, because there are some who have contended that we ought not to be unduly in haste about this matter; but we have spent all the time necessary, and I think it is of the most urgent importance to the country now that we should waste no more time with regard to it.

I hope also that Members of the Senate will take the pains to look through the tables which have been printed as a part of this report, because they will find them bearing directly upon the problem involved.

I wish now to express my appreciation of the patience of the Senate in waiting for this report. I will say that, as chairman of the committee, I have done what I could to bring it before the Senate as quickly as possible; but there were many men who wanted to be heard, and there were many interests of very great importance that had a right to be heard. If the committee has seemed to have been somewhat longer than was absolutely necessary, at the same time the question was of such great importance, it was of such vast import to the country, that the committee has felt that it was best to give as thorough an examination into the matter as possible. You have before you now the views of both sections of the committee and the full record.

I will now move the amendment which I proposed on Saturday. The subject is now before the Senate; Senators desiring to speak upon it may do so, though I do not suppose we shall arrive at immediate action upon the bill.

Mr. CUMMINS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Iowa?

Mr. OWEN. I yield to the Senator.

Mr. CUMMINS. I rose to ask a little further explanation of one part of this bill.

Mr. OWEN. I shall be very glad to answer any questions the Senator may ask.

Mr. CUMMINS. I should like to learn from the Senator from Oklahoma whether he attaches great importance to section 10. That section deals with the admission of State banks to membership in the Federal reserve bank. That is a mere prelude to asking whether the Senator has examined the laws of the several States and whether he knows the situation sufficiently to be able to advise the Senate as to the practicability of the admission of State banks as stockholders in the Federal reserve banks or the Federal reserve bank. I do not believe there is a State in the Union under whose laws a State bank could become a stockholder in a Federal reserve bank. I do not believe there is a State in the Union under whose laws a State bank could agree to conform to provisions of the law creating and regulating national banking associations. I apprehend that if that section is to become of great importance it will be necessary that the laws of all the States be revised. I have therefore asked the Senator from Oklahoma whether the cooperation of the State banks in this manner is a vital thing in the administration of the system which is here proposed.

Mr. OWEN. I should say that it was a very desirable thing, and, so far as we could open the door we did so, assuming that the States which had laws which would preclude the State banks of that State from entering the system would within the three years change such laws so as to make it permissible.

Mr. CUMMINS. But the Senator from Oklahoma, I assume, believes that the system would be operative and helpful even though the State banks were not admitted as stockholders of the Federal bank?

Mr. OWEN. Oh, yes.

Mr. CUMMINS. A very curious relationship is here proposed between the State institutions and a Federal institution. I shall have occasion later on to consider that relation. I have had grave doubts whether it could be made practicable or helpful.

Mr. OWEN. I will state that I have not put the microscope upon the point which the Senator raises, and I assume that there might be a number of States where it could not be done, and that they would then, if they approved the system, modify the State law so as to enable their banks to come in under this provision; so we open the door for them to come in when they can under the permission of the State laws.

Mr. CUMMINS. Mr. President, I am not opposed to it if it can be done practically; but it not only involves the authority on the part of a State corporation—that is, a State bank—to

become a stockholder in a Federal corporation, with all the liabilities that the law imposes upon a stockholder, but it involves the joint operation upon the same institution of laws that are radically different and must remain different so long as we have as great varieties of views upon great public questions as we now have.

Mr. OWEN. Yes; that is true, of course.

Mr. CUMMINS. And I merely wanted to begin my inquiry into it with the assurance of the Senator from Oklahoma that the system proposed would be operative and would be efficient even though no State bank entered it.

Mr. OWEN. Oh, yes; we have simply opened the door to invite the State banks in that could come in; and I will say that I have had assurances from Chicago and Kansas City and St. Louis that many of the State banks and trust companies expect to come in. I think that almost every State bank and trust company in the country will come into the system and that they expect to do so; but the system is, of course, for the national banks and not necessarily for the State banks, but it was thought desirable to have the State banks provided for if they wished to enter the system.

Mr. CUMMINS. It is perfectly evident that they could not come in until they had further legislation, not only because they have no power to subscribe for stock in this new system, but the bill provides that—

Any bank becoming a member of a Federal reserve bank under the provisions of this section shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national banks.

Mr. OWEN. As to examinations and special points only.

Mr. CUMMINS. We all know—or, at least I assume—that the laws of Illinois with regard to her trust companies and her banks are very different from the laws of the United States relating to national banks. I know they are in my State. It would be impossible for a State bank in Iowa—I think it would be impossible—to conform to both the national law governing national banks and the State law governing State banks at the same time.

Mr. OWEN. Mr. President, I direct the attention of the Senator from Iowa to the fact that he did not read the next few words of the bill.

Mr. CUMMINS. Perhaps I have omitted something that ought to have been read. The bill further provides:

And to such rules and regulations as the Federal reserve board may, in pursuance thereof, prescribe respecting the limitation of liability which may be incurred by any person, firm, or corporation to such banks, the prohibition against making purchase of or loans on stock of such banks, and the withdrawal or impairment of capital or the payment of unearned dividends.

I see nothing there that would modify what I have stated.

Mr. OWEN. I suggest that they could comply with it if they would, just by their own agreement. They could do that by contract.

Mr. CUMMINS. I do not think so.

Mr. PAGE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Vermont?

Mr. OWEN. I yield to the Senator from Vermont.

Mr. PAGE. I should like to inquire, Mr. President, of the Senator from Oklahoma if it is not true that under the laws of all the States—it certainly is of all the Eastern States—that a savings bank or a trust company is limited in its investments to certain specified lines, and that all other lines are excluded?

Mr. OWEN. I think that is true in most of the States; but we do not expect savings banks to enter the system, as they do not need to do so.

Mr. PAGE. And is it not true that under this bill the State inspectors of banks would come in conflict with the national inspectors of banks?

Mr. OWEN. No; I think not, because this bill provides that the reports of the State banks may be accepted if they are carefully made, and the banks can readily agree to have an examination made that is not required by the State law, just as they do agree to have themselves examined by the clearing-house examiners.

Mr. PAGE. Is it not true that under the State laws it is expected that nearly all of the State banks and trust companies will loan their money on real estate, while under the provisions of this bill it is expected that only a limited sum shall be so loaned?

Mr. OWEN. Of course, that is true; but that inhibition does not run against the savings banks nor trust companies, either, under this system.

Mr. PAGE. But, for all that, the National Government, through Congress or the managers of the Federal reserve banks, will have the power to dictate, it seems to me, as to what investments the State banks may make.

Mr. OWEN. Oh, no; the purpose of this bill is only to impose a few very limited provisions upon the State banks; that is to say, that they shall not extend credits unduly to single individuals; that is, not over 10 per cent of their capital and surplus, just as in the case of the national banks. No further provision is proposed to be imposed upon State banks entering into the system than will merely safeguard their credit and make their credit as good as that of a national bank.

Mr. PAGE. To do that will it not be supposed that the National Government will ask for an inspection and examination of State banks?

Mr. OWEN. Yes; and very properly.

Mr. PAGE. But the regulations of the Federal Government or of the Federal reserve board may come in conflict with the State regulations, may they not?

Mr. OWEN. I should not think so. I think that if the bank was willing to have itself examined by a chartered accountant the bank would have a perfect right to do so. I have had my own bank examined by a chartered accountant, regardless of the examination of the comptroller's office; and I did so because I wanted to know, independently of the comptroller's report, exactly what the condition of the bank was. There is no reason why a State bank should not have itself examined by a chartered accountant, so far as I can see.

Mr. PAGE. So far as I know, no State bank—certainly not in my State—would be inclined to object to the examination of a national-bank examiner. Indeed, it is provided in the laws of Vermont that when two banks are intimately associated or are in the same building, one a national bank and the other a savings bank or a trust company, the national-bank examiner and the State-bank examiner shall meet and examine them together; but it seems to me that you would have to draw this bill with a great deal of care in order to prevent a conflict between the National and State examinations.

Mr. OWEN. Since the matter is entirely optional with the State bank whether it wants to come in or not, of course the State bank would exercise its own pleasure with regard to that. It is not at all compulsory; it is just a matter of grace on their part, if they desire to enter the system, to give assurance to the Federal reserve bank or the authorities of the United States that their examination is properly made. We have provided in the bill that if the examination of the State authorities is carefully made it may be accepted as sufficient.

Mr. BRADY. Mr. President—

Mr. OWEN. I yield to the Senator from Idaho.

Mr. BRADY. I should like to inquire of the Senator from Oklahoma whether or not both branches of the committee have agreed upon this section of the bill, or is there a difference of opinion between the two branches of the committee?

Mr. OWEN. I think there is no difference of opinion as to the propriety of inviting the State banks to come in and offering them an open door.

Mr. BRADY. I will inquire of the Senator from Nebraska [Mr. HITCHCOCK] if that is his understanding?

Mr. HITCHCOCK. There is a considerable practical difference by reason of other sections of the bill. The objection raised by the Senator from Iowa [Mr. CUMMINS] that a State bank must become a stockholder in the system under the draft of the bill presented by the Senator from Oklahoma does not apply so strongly to the draft which I had the honor to present, for the reason that in the draft presented by the Senator from Oklahoma each bank is required to take a certain amount of stock in order to become a member of the association, and, once taken, that stock can not be sold; it is not a liquid asset of the bank and, no matter how great the needs of the bank to pay depositors or to meet other obligations, it can not sell that stock; it is impounded. Under the draft, however, which I had the honor to present, if the bank takes any stock at all, it is simply because some has not been taken by the public and the bank takes it and holds it like any other investment, having the power to part with it at any time, to realize cash upon it, and to use that cash for its needs.

Mr. BRADY. That, Mr. President, answers that question fully. While the Senator from Oklahoma is on his feet, I should like to ask him a question relative to the fixing of the rate of interest by the reserve board and whether the same will be controlled by the board of control?

Mr. OWEN. The method provided—

Mr. BRADY. As an illustration, let us assume that the reserve board of a district fixes a rate of interest different from the rate of interest in some other district. Is that subject to review by the board of control?

Mr. OWEN. Yes.

Mr. BRADY. Now, does your bill give the board of control power to require the district or regional reserve bank board to accept the rate of interest fixed by the board of control?

Mr. OWEN. It has the power finally to determine the rate and fix it.

Mr. BRADY. And a bank in that district will be compelled to accept that rate?

Mr. OWEN. It will be compelled to accept it.

Mr. McCUMBER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from North Dakota?

Mr. OWEN. I yield to the Senator from North Dakota.

Mr. McCUMBER. I wish to direct the attention of the Senator from Oklahoma to a feature of his bill which he has not discussed at all, and that is the feature of redemption. I think we will all agree that both of the bills which have been presented to the Senate are very simple in the method provided for inflating the currency of the country, but I do not understand that either of them is quite as efficient in deflating it after it has once been inflated. With the present increase in the volume of currency, due mostly to the increase in the volume of gold and the necessary depreciation of the purchasing value of every dollar, I assume that the Senator agrees with me that we ought not further to exaggerate this injustice to the savings of our industrious people by further depreciating the value of our dollars; and that, if we necessarily inflate the currency one single dollar by the issue of a dollar that is not based upon gold itself, we ought to deflate it just as soon as possible. We ought not to have any system of what might be called an elastic currency which will pull out 3 feet and will come back only 1 foot.

The \$300,000,000 or \$500,000,000 that may be issued by the reserve banks as an independent currency will add that much to the currency of the country, and will in a very short time be scattered among 95,000,000 people. Now, I should like to see some system—I confess that I have not read over the bills since they have been reported and amended, but only the original House bill—I should like to see some system that would be just as efficient under the law in bringing this money out of circulation as it is in putting it into circulation for the purpose of meeting any contingency of the country.

I should like to know further from the Senator himself what his bill provides in this respect, and how he is going to get these dollars, scattered among all of the people, out of circulation when the needs of the country no longer demand it?

Mr. OWEN. Mr. President, in answer to the observations of the Senator I very freely concur as to the importance of having the notes retired which are called "elastic currency." If they were merely to become a part of the permanent currency, that would be one thing, but having them as a temporary expedient is a different thing. I will answer the Senator directly by saying that the Federal reserve notes, when drawn out by the Federal reserve banks, are drawn from the hands of the Federal reserve agent who has an office on the premises of the Federal reserve bank and has his own safe. He keeps the Federal reserve notes available. When he lets out \$100,000 of those notes, he does so on commercial bills due within 90 days. When those bills are paid they must be withdrawn from his hands for payment, and they can not be withdrawn from his hands unless Federal reserve notes of like volume or other forms of money in the same volume used by the United States are replaced in his hands and in his safe, where they go out of circulation.

I agree that the Federal reserve notes as individual notes passing into the hands of the citizens of the country and passing current outside of the bank will not return immediately to the banks, so that the individual notes can be returned; but what is equal to the same thing is that a volume of notes or money or gold, as the case may be, must be returned into the vault of the Federal reserve agent to take the place of the \$100,000 which was drawn out of that safe; and, therefore, the contraction would be identical in amount, although not identical in the notes.

The notes themselves, however, are required to be returned to the bank through which they were emitted by any other Federal reserve bank which may receive them or by the Federal Government if it receives them, and in that contingency, when the individual notes are returned—and they are earmarked, with the number of the district plainly marked on the notes—then those notes would come into the hands of the reserve agent and he would return the lawful money which had been put into his hands in lieu of the notes when the commercial bills were taken down.

Mr. McCUMBER. But with 8 of these reserve banks, and there being 25,000 banks in the United States, the chance of the identical bills getting back into the hands of the reserve bank would be the equivalent of about eight to twenty-five thousand, which is not a very important matter to consider at all in the method of getting this money back.

Mr. OWEN. I call the attention of the Senator, however, to the fact that it does not make any difference whether these particular notes come back or not if a like volume is retired.

Mr. McCUMBER. That is true if a like volume is returned and can not be used for any purpose.

Mr. OWEN. They can not be, because they are retired.

Mr. McCUMBER. Is that the provision of the bill?

Mr. OWEN. It is.

Mr. McCUMBER. Or can they be issued again and again?

Mr. OWEN. They can not, except upon like conditions or in exchange for the Federal reserve notes emitted by such bank. They go back into the hands of the Federal reserve agent, to be held by him.

Mr. McCUMBER. Are they destroyed?

Mr. OWEN. No; they are not destroyed; there is no need to destroy them unless they are mutilated.

Mr. McCUMBER. They are simply held for any subsequent issue?

Mr. OWEN. They can be used in like manner again.

Mr. McCUMBER. I say for a subsequent issue?

Mr. OWEN. Yes.

I will be very glad to answer any other questions any Senator would like to ask me.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. OWEN. I yield to the Senator from Utah.

Mr. SMOOT. Did I understand the Senator to say that there will be no inflation of the currency? All of the currency that is issued upon commercial paper will not be redeemed at the same time, either by reserve currency or lawful money of the United States, so that whatever the volume of business done in the country under this plan amounts to there will be that much of an inflation from the present circulation.

Mr. OWEN. If you choose to use the term "inflation." There would be a temporary expansion of currency against these commercial bills; but the important feature which I wanted to call the attention of the Senator to was that it is measured and absolutely controlled by the volume of the commercial demand. The commercial demand must exist; the member bank must need currency for its constituency, and the member bank needing currency comes with its bills and asks for currency and can get currency. As soon as the seasonal demand is over then, of course, it would return them, because it is paying interest on them.

Mr. WILLIAMS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Mississippi?

Mr. OWEN. I yield to the Senator from Mississippi.

Mr. WILLIAMS. I think there is one point, which, if I understand correctly, the Senator did not state, that would make the position clearer. Suppose that instead of returning these particular asset currency notes the bank which had deposited the commercial bills were to bring in \$100,000 of greenbacks, let us say. Then the question was asked the Senator as to whether that \$100,000 of greenbacks should be destroyed. The Senator properly replied "no," and there was no use in destroying them. Now, when a man came in and wanted to borrow another \$100,000, let us say, on more commercial bills of some other bank, then, as I understand, the \$100,000 in greenbacks could be put out against the \$100,000 of commercial bills instead of \$100,000 of commercial-asset circulation?

Mr. OWEN. Yes. In either contingency, however, there is a further very important control provided in the bill, and that is that the Federal reserve board can raise the rate of interest if they find that abuse is extending to the use of these Federal reserve notes. It is of great importance that the Federal reserve board should have that power in order to prevent inflation.

In fact, there are several checks: First, the demand of citizens for cash—actual cash; second, the demand of a member bank for cash—actual cash; third, the demand of the reserve bank; fourth, the putting up of commercial bills of the qualified class; fifth, the minimum gold reserve of 33 per cent; sixth, the interest rate imposed by the Federal reserve bank; seventh, the interest rate that can be raised by the Federal reserve board.

If there is no further question that any Senator would like to ask me, I yield the floor.

APPENDIX.

The report submitted by Mr. OWEN on November 22, 1913, is as follows:

[Senate Report 133, part 1, Sixty-third Congress, first session.]

BANKING AND CURRENCY.

Mr. OWEN, from the Committee on Banking and Currency, submitted the following report to accompany H. R. 7837:

The Committee on Banking and Currency, to which was referred the bill (H. R. 7837) to provide for the establishment of Federal reserve

banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision of banking in the United States, and for other purposes, having considered the measure, report the same to the Senate without recommendation.

[Senate Report 133, part 2, Sixty-third Congress, first session.]

BANKING AND CURRENCY.

Mr. OWEN (for himself, Messrs. O'GORMAN, REED, POMERENE, SHAFROTH, and HOLLIS), from the Committee on Banking and Currency, submitted the following views (to accompany H. R. 7837):

The chairman (Mr. OWEN), on behalf of himself and his colleagues, Messrs. O'GORMAN, REED, POMERENE, SHAFROTH, and HOLLIS, submit the following memorandum:

The Committee on Banking and Currency, to which was referred the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, etc., received the bill on September 18, 1913, and the members thereof, having been unable after two months to agree upon a report, the committee having divided into two sections, were compelled, finally, to agree to report the bill back to the Senate without recommendation from the committee acting as a committee, but submitting separately the respective views of the two sections of the committee.

The views of the Democratic section of the committee are embraced in the House bill, with certain interlined amendments submitted herewith (Exhibit A), and the following observations are made to explain the origin and principles of the measure, give a general outline of the changes which have been proposed in the House bill, the reasons therefor, etc.

AN OUTLINE OF THE INVESTIGATION MADE AFFECTING THE PRINCIPLES AND CONSTRUCTION OF THE PENDING MEASURE.

So many persons have been under the impression that Congress was inclined to act without sufficient consideration of the pending measure and the principles involved in it, that attention is called to the work which has been done preliminary to the drafting of the present bill.

It has been long understood that the American banking system was seriously defective in having no adequate safeguard against financial panic, against financial stringencies and violent fluctuations of interest rates, so that immediately after the panic of 1907 a temporary measure providing against panic was passed by Congress in the Vreeland-Aldrich Act, approved May 30, 1908. This bill established the National Monetary Commission. The act gave authority and instruction to the commission as follows:

"It shall be the duty of this commission to inquire into and report to Congress, at the earliest date practicable, what changes are necessary or desirable in the monetary system of the United States or in the laws relating to banking and currency, and for this purpose they are authorized to sit during the session or recess of Congress at such times and places as they may deem desirable; to send for persons and papers; to administer oaths; to summon and compel the attendance of witnesses. * * * The commission shall have the power, through subcommittee or otherwise, to examine witnesses, and to make such investigations and examinations, in this or other countries, of the subjects committed to their charge as they shall deem necessary."

Under this instruction the National Monetary Commission conducted the most extensive and far-reaching investigation of the banking systems of the entire world, and published a series of reports including over 30 volumes and a vast compilation of literature involving over 2,500 volumes, and finally resulting in the recommendation of a central bank, privately controlled, which was submitted to the Senate of the United States under the title of "A bill to incorporate the National Reserve Association of the United States, and for other purposes." (Vol. I, p. 43.) This bill was introduced during the preceding Congress and was not considered. It was, however, reintroduced in the present Congress (63d Cong., 1st sess., S. 7), on April 13, 1913, and has been commonly referred to as "the Aldrich bill."

This bill provided substantially that the national reserve association should be established for 50 years with an authorized capital equal to 20 per cent of the capital of all banks eligible for membership, with one-half paid in. It was provided that the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency should be a committee to organize the national reserve association. It was to have a capital of \$200,000,000 and 15 branches in 15 districts of the United States. Each branch was to be controlled by a board of directors chosen by the member banks, with power to make by-laws, etc., and the central national reserve association was to have 39 directors, elected by the directors of the 15 branches, and 7 additional ex officio members of the board of directors, to wit, a governor of the national reserve association, 2 deputy directors, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce and Labor, and the Comptroller of the Currency, so that the Government had 4 representatives out of 46 members of the board of directors of the national reserve association. An executive committee of 9 members was provided, with 1 representative of the Government, the Comptroller of the Currency, ex officio a member. Each branch bank was to have a manager and a deputy manager, appointed by the governor of the association.

The earnings of the association were to be 4 per cent annual dividend, cumulative, a 20 per cent surplus provided, and a division of the remainder between the United States and the shareholders.

The reserve association was made the principal fiscal agent of the United States. Provision was made for rediscounting notes and bills of exchange drawn for agricultural, industrial, and commercial purposes, having a maturity of not more than 28 days. The reserve association was given various powers to deal in gold coin or bullion, to purchase from subscribing banks bills of exchange, open foreign banking accounts, transfer deposit balances from one bank to another, etc.

It was required to keep 50 per cent reserve against demand liabilities, including deposit and circulating notes, with a tax upon any reserve deficiency.

It was authorized to purchase for a limited time the 2 per cent bonds of national banks, assume the redemption of the notes of such banks, and issue its own notes in lieu of such national-bank notes. It was authorized to have a cover for such note issues, either of 50 per cent of gold or other money of the United States, or bills of exchange arising out of commercial transactions, as defined by the act. These notes could be issued up to nine hundred millions without a gold cover under a special tax of 1½ per cent, and any notes in excess of \$1,200,000,000 not covered by gold or lawful money could be taxed at 5 per cent, provided that the outstanding national-bank notes should be computed as a part of such issue. Its circulating notes were to be redeemed in lawful money and maintained at a parity.

The circulating notes of this association were to be received at par in payment of all taxes, excises, and other dues to the United States, and of all salaries and other debts and demands due by the United States, except obligations specifically payable in gold, and for all debts due from or by one bank or trust company to another, and for all obligations due to any bank or trust company.

The 2 per cent bonds purchased were to be exchanged for 3 per cent bonds payable in 50 years, and the association was to hold such bonds during its corporate existence, with the right, at the option of the Secretary of the Treasury to sell fifty millions of such bonds annually after five years. It provided for the establishment of branches of banks to do a foreign banking business.

The Government of the United States was required absolutely to deposit all of its general funds with the national reserve association and its branches, after the organization of the association, and thereafter all receipts of the Government except its trust funds.

This bill was made a matter of general debate throughout the United States, was vigorously pressed by the friends of the measure, and discussed in all of the large cities of the Nation. It was endorsed by the American Banking Association, but, after abundant discussion, was condemned by the Democratic national convention at Baltimore on July 3, 1912, in the following language:

"We oppose the so-called Aldrich bill or the establishment of a central bank; and we believe the people of the country will be largely freed from panic and subsequent unemployment and business depression by such a systematic revision of our banking laws as will render temporary relief in localities where such relief is needed with protection from control or domination by what is known as the Money Trust."

The obvious reason for public disapproval of this bill was that the comparative independence of the various districts of the country was ignored, the concentration of banking power was very extreme, and finally it placed the national credit system in the control of private persons, without any adequate supervision or control by the Government of the United States, and proposed to allow these banks to issue the currency of the country as private corporations.

THE PUJO INVESTIGATION.

Under House resolutions 439 and 504, Sixty-second Congress, second session, the so-called "Money Trust investigation" was conducted by the House of Representatives, beginning May 16, 1912. These hearings were published in 29 parts, consisting of thousands of pages, and with a most illuminating report showing the existence, substantially, of a vast concentration of power in the hands of a few men over the credit system of the United States.

THE GLASS INVESTIGATION.

These investigations were further continued by a subcommittee of the Committee on Banking and Currency of the House of Representatives, beginning on Tuesday, January 7, 1913, and directed by Hon. CARTER GLASS, chairman, according to the leading bankers and financial experts of the country extended hearings, comprising a volume of 745 pages of printed testimony.

In addition to these extensive examinations by the National Monetary Commission, the Puyo investigation, and the Glass investigation various representatives of the American Banking Association were in frequent consultation with Chairman GLASS of the House Committee on Banking and Currency, with the chairman of the Senate Committee on Banking and Currency, with the Secretary of the Treasury, and others who were concerned in the primary framing of the pending measure, so that the plea of some of the interests opposing the bill that the matter had not been properly investigated had no just foundation of fact. But in addition to these investigations and discussions the bill, when finally introduced in the House of Representatives, was discussed for many weeks in the Committee on Banking and Currency of the House, in the Democratic conference, and for many days in the House of Representatives, finally passing September 17, 1913.

THE SENATE INVESTIGATION.

Anticipating the action of the House of Representatives upon this bill, the Committee on Banking and Currency of the United States Senate began hearings on the bill September 2, 1913, holding their sessions from 10 o'clock in the morning until 5 and 6 in the evening and listening to various representatives of the American Banking Association, of credit associations, of business men, and of financial experts. These hearings when concluded and presented to the Senate in Senate Document No. 232, Sixty-third Congress, first session, on November 6, 1913, in three volumes, with index, making 3,259 pages. It is therefore obvious that great pains have been taken by the authorities of the United States and by the committees in Congress to proceed with the greatest caution and upon the fullest information in the adjustment of this very important measure.

When the hearings before the Senate Committee on Banking and Currency were concluded, the members of the committee discussed the bill for over two weeks, finally agreeing to submit their separate views in the form of the House bill, H. R. 7837, with certain amendments thereto, representing the respective views of the two sections of the committee.

Both sections of the committee, however, agreed on the great fundamentals of the bill—that is:

First. On the necessity for greater concentration of the banking reserves of the country.

Second. The volume of such reserves.

Third. The volume of the capital of the proposed banks.

Fourth. The mobilization of such reserves.

Fifth. The promotion of an open discount market.

Sixth. The provision for elastic currency; the issuance of Federal reserve notes.

Seventh. That the Federal reserve notes should be the obligations of the United States.

Eighth. That the system should be the regional Federal reserve bank system instead of a central bank.

Ninth. The control of the system itself by the Government.

The two sections of the committee disagree upon the number of the Federal reserve banks, the method of subscribing for the stock of such banks, the method of electing the directors of such banks, the method of administering the regional reserve banks, and these differences arise, in the main, because of two schools of thought, one part of the committee believing in a central bank administered by a central board and the other part of the committee proposing to establish a number of comparatively independent district banks administered by boards of directors chosen from and representing the several districts, but under the strict supervisory control of the Government. The interests of the public are thus protected by Government supervision,

the vast and intricate technical detail of bank administration being placed in the hands of the bankers whose funds and whose business is involved.

THE PURPOSES OF THE BANKING AND CURRENCY BILL.

The chief purposes of the banking and currency bill are to give stability to the commerce and industry of the United States; prevent financial panics or financial stringencies; make available effective commercial credit for individuals engaged in manufacturing, in commerce, in finance, and in business to the extent of their just deserts; put an end to the pyramiding of the bank reserves of the country and the use of such reserves for gambling purposes on the stock exchange.

In order to accomplish these results there are certain great fundamentals recognized by all experts as essential and necessary, to wit:

First. The proper concentration of the bank reserves of the country under the control of the banks themselves, safeguarded by governmental supervision.

Second. A suitable banking capital as a margin of safety.

Third. Placing the larger part of the Government funds with such banks, where they may be used in the service of the national commerce.

Fourth. Authorizing the issuance of elastic currency against liquid commercial bills under proper safeguards.

Fifth. Establishing an open market for liquid commercial bills, by providing through the reserve banks a constant and unfailing market for such bills at a steady rate of interest.

Sixth. Finally, protecting the gold reserve of the United States by the same methods adopted in Europe, to wit, raising the rate of interest through the Federal reserve banks and authorizing such banks to acquire foreign bills when gold shipments are anticipated and taking other precautionary measures.

THE MECHANISM OF THE FEDERAL RESERVE BANK SYSTEM.

These important national ends are proposed to be obtained by the mechanism of eight Federal reserve banks organized with a capital equal to 6 per cent of the capital and surplus of the National and State banks in the several districts.

The eight districts are proposed to be laid off by an organization committee, who shall organize a Federal reserve bank with headquarters in a central city of each district, each bank to establish as many branches in its district as may be found expedient.

It is proposed that each Federal reserve bank shall have nine directors, six elected by the banks and three chosen by the Federal reserve board.

The entire system is proposed to be under the supervisory control of the Federal reserve board, consisting of the Secretary of the Treasury and six other members of such board appointed by the President and confirmed by the Senate.

The Federal reserve board is given very broad powers of supervision and is assisted by a Federal advisory council, consisting of one representative from each of the Federal reserve banks.

The details of the organization and the principles of the bill will be hereinafter more fully set forth.

FEDERAL RESERVE DISTRICTS.

The Federal reserve districts are proposed to be organized by the Secretary of the Treasury and not less than two members of the Federal reserve board (sec. 2), who shall summon expert aid and take testimony and lay out such Federal reserve districts, eight in number, according to the convenience and customary course of business, designating the city in which the district Federal reserve bank shall be located (p. 2).

When the districts shall have been laid out and the city determined in which such Federal reserve banks shall be located, five of the subscribing banks in such district are authorized to take out a charter in the same manner and with similar powers as a national bank (pp. 11 to 14), except that the business of the Federal reserve bank is confined to member banks and other Federal reserve banks and to the United States, except its open-market operations, which may be with any responsible concern.

These banks are given, as a part of the charter rights, the right to issue Federal reserve bank notes against United States bonds in the same manner as a national bank, the purpose being to permit said banks to absorb as much of the 2 per cent bonds as the national banks may care to dispose of.

STOCK SUBSCRIPTION.

The amount of possible stock is placed at a sum equal to 6 per cent of the capital and surplus of national banks and State banks and trust companies, exclusive of savings banks, a possible total of about \$150,000,000, one-half of which will be required to be paid in during a period of six months after the organization of said banks and one-half subject to call, with a double liability resting upon the subscribers against the amount subscribed.

The reasons for requiring the banks to subscribe to this stock with a double liability are—

First. To protect the large deposits of general funds which the United States will probably place with such banks.

Second. To protect the United States against the extension of credit through the Federal reserve notes, the obligations of the United States loaned to the Federal reserve banks against commercial bills.

Third. To safeguard the system itself, to protect the large volume of reserves placed with such banks, and give to such banks the confidence of the world.

Fourth. To justify the Government in putting on the banks the prime responsibility of administering these banks and safeguarding their own reserves and their own capital stock, and making them responsible to the country for safeguarding the welfare of the national banking system, protecting the national gold supply under the safeguard of governmental supervision.

Every national bank located in a given district is required within 60 days after the passage of the act to signify its acceptance of the terms of the act, and every State bank eligible for membership is permitted to signify its assent in like manner.

Any national bank within such district failing to signify its assent may be discontinued as a reserve agent upon 30 days' notice by the organization committee or the Federal reserve board. And should any national bank within one year after the passage of the act fail to become a member bank of the system, it is required to cease to act as a national bank.

In the contingency that the capital stock is not fully subscribed by the banks of a given district, provision is made (p. 7) to offer such stock to public subscription, and on the contingency that such stock is not subscribed by the public the balance of the necessary capital

may be allotted to the United States and sold by the Government at proper times and places.

All stock held by the public or by the Government will be voted by the directors of the Federal reserve bank of class C, representing the Government.

CONTROL OF THE FEDERAL RESERVE BANKS.

Each Federal reserve bank will be controlled by a board of nine directors—three of class A, elected by the banks; three of class B—business men—elected by the banks; and three of class C, appointed by the Federal reserve board to represent the United States.

One director of class C will be a Federal reserve agent and chairman of the board, and one a deputy Federal reserve agent and deputy chairman, representing expressly the interests of the United States at such bank and issuing Federal reserve notes to the reserve bank, holding the security therefor, and receiving such notes for safe-keeping when returned by the bank.

PROBABLE RESOURCES OF FEDERAL RESERVE BANKS.

The capital stock of 25,195 banks in the United States, including savings banks, amounts to \$2,010,000,000; surplus, \$1,585,000,000. Six per cent of this sum would be something over \$200,000,000, and the total liability would make over \$400,000,000. Assuming that one-half of these concerns enter the system, it would give a capital of \$100,000,000, with over \$50,000,000 paid in.

The total reserves which would be paid into the Federal reserve banks by 7,120 national banks, outside of reserve or central reserve cities, would be \$168,000,000 (Exhibit B, p. 1); from 315 reserve city banks, \$110,000,000; and from 52 central reserve city banks, \$96,000,000, which, including an estimated deposit of \$150,000,000 from the Government, would make an amount equal to \$672,000,000.

If the State banks and trust companies come in, omitting the savings banks, it would add \$279,000,000 of reserves and \$21,000,000 of capital stock (Exhibit B, p. 6), making a total of \$972,000,000.

These funds would not include any optional deposits that might be voluntarily placed with the Federal reserve bank by member banks.

DIVISION OF EARNINGS.

It is proposed in the pending bill to give the stockholders 6 per cent dividends, lay up a surplus of 20 per cent, and give the United States the additional earnings. The policy of limiting the dividends to 6 per cent is based upon the theory that these great public utility banks are not intended to be merely money-making banks, but that they are guardians of the public welfare, primarily safeguarding the member banks, protecting their reserves, safeguarding their credit, protecting them from panic or financial stringency, and being always prepared to furnish them with accommodation at a reasonable rate of interest. But these Federal reserve banks will also be charged with the duty of protecting the national gold reserve, protecting the national commerce, and in this way give stability to the manufacturing, industrial, commercial, and transportation enterprises of the United States. For this reason these banks ought to have no other motive than the public welfare, and the moving policy of the banks should not be to earn as much dividends as the commerce of the country could endure but to protect our national commerce and our national-banking system at a fair profit.

STATE BANKS AND TRUST COMPANIES.

The bill (pp. 5 and 27) invites the State banks to become members where the capital stock, sound condition, subscription, and compliance with the rules of the system justify. The State banks and trust companies, however, will be subjected to the same rules governing the national banks in regard to the limitation of liability which may be incurred by any one person to such banks, the prohibition of making purchase of or loans upon the stock of such banks, or withdrawal or impairment of capital, the payment of unearned dividends, the making of reports to the comptroller, and the right of examination of such banks, as if they were national banks, with the right, however, to accept the State examinations in lieu of the comptroller's examination where such examinations are satisfactorily made.

BANK EXAMINATIONS.

Under the proposed system the bank examinations are made much more carefully, the bank examiners put on salaries (p. 66). Loans, gratuities, or commissions are forbidden to either bank examiners or to officers or directors of member banks.

BANK RESERVES.

Very important changes are made in the matter of bank reserves (p. 59) by requiring the withdrawal of the legal reserves from other national banks after a period of three years, making the change that the country banks are required to keep 12 per cent of their demand liabilities and 5 per cent of their time deposits as reserves—two-twelfths in the Federal reserve bank for 14 months, and thereafter five-twelfths—leaving seven-twelfths after three years to be optionally kept either in the bank's own vaults or in the Federal reserve bank (p. 62). The reserve city banks are required to keep 18 per cent of their demand liabilities and 5 per cent of time deposits; three-eighths of such reserve for the first 14 months being kept in the Federal reserve banks, and thereafter six-eighths of said reserve, leaving twelve-eighths of such reserve to be kept after three years either in the bank's own vaults or in the Federal reserve bank, at its option (p. 63).

The central reserve city banks are required to maintain a reserve equal to 18 per cent of their demand liabilities and 5 per cent of their time deposits; for 14 months three-eighths of such reserves and thereafter six-eighths of such reserves with the Federal reserve bank, leaving twelve-eighths optional to be kept in the bank's own vaults or with the Federal reserve bank.

The State banks are permitted to keep their surplus legal reserves for three years with other State banks if the State law requires.

It is proposed that the reserves of the Federal reserve banks shall be not less than 35 per cent of gold or lawful money against their demand liabilities or Federal reserve notes in circulation (pp. 48 and 65).

Some of the banks have objected that they would lose 2 per cent interest on so much of the deposits as they keep with the Federal reserve bank, and they seem to think they would not be sufficiently compensated by the obvious benefits of the Federal reserve banking system.

The answer to such objections is that the compensations in a financial way will far more than outweigh the loss of the 2 per cent interest, while the stability of the business of the bank, and the peace of mind it will give to the bankers in having freedom from constant anxiety, would more than compensate them, even if the financial advantages did not do so. The financial advantages are obvious—

First. The capital stock put into the system will be merely a transfer of funds obtained by taking a certain portion of the present deposits (however invested) into the form of this capital stock, earning 6 per cent net, free from tax, making the earning on such stock between

7 and 8 per cent, which is a higher return than any bank can possibly average upon its deposits.

Second. The reserves placed with the Federal reserve banks would not bear interest under the present bill (although this may possibly be found expedient at some future time when the system is established), but an average bank with a hundred thousand dollars (\$100,000) capital and \$550,000 average individual deposits, if it carried 5 per cent of its deposits as reserves with the Federal reserve bank, would carry only \$27,500 with the Federal reserve bank, which it might use, if it saw fit, as a checking account for exchange purposes if it kept the account up to the required standard.

The earning power on \$27,500 at 2 per cent would only be \$550, and since the bank could borrow back an equal sum, at probably 4 per cent and lend it at 6 or 8 per cent, it could earn as much or more out of such rediscount as the interest at 2 per cent amounts to.

But it has a far larger earning power, because, under the old system, where every bank had to protect itself by keeping a high individual reserve, the country banks have carried on an average of over 21 per cent, and under this system they would have available the difference between 12 per cent legal reserves and 21 per cent actual reserves, which on the deposits of an average bank of \$550,000, would amount to \$49,000, and which they could lend at 6 per cent instead of 2 per cent, as at present, giving such bank an additional earning power of \$1,980 above its present earning power, if it saw fit to use these surplus reserves which they now carry, because of the fear of panic and financial stringency.

A very important consideration, however, would result from this improved system in giving an increased public confidence in the banks and which would attract a considerable amount of money which is not now deposited in banks at all and would thus enlarge the deposits of the bank and enlarge substantially their money-earning power.

Another important financial advantage to the bank would be that the larger use of their reserves would also result in an enlargement of deposits, entirely justified and on a safe basis, which would give them increased earning power. It is extremely short-sighted for a bank to imagine that its financial earnings would be in any wise harmed by the proposals of this measure. A very great psychological advantage is in giving peace of mind to the entire banking world, so long as business is conducted upon an honest, sensible basis.

PROBABLE READJUSTMENT OF CASH UNDER REQUIREMENT OF THE FEDERAL RESERVE ACT.

If all national banks enter the system and subscribe at the rate of 6 per cent of their capital (\$1,056,345,786) and surplus (\$725,333,629), or \$1,069,000,764.90, paying one-sixth in cash, one-sixth in three months, and one-sixth in six months, the Federal reserve banks will have in six months a paid-up capital of \$53,450,382, to which should be added about \$150,000,000 of Government funds which will be deposited with the Federal reserve banks, making a total of \$203,450,382 cash, of which two-thirds could be used for discounting.

The relative proportion of subscription to the Federal reserve bank is as follows: Country banks, 55 per cent; reserve city banks, 26 per cent; and central reserve cities, 19 per cent.

Assuming that the banks will immediately avail themselves of the discounting privilege to the extent of one-third of this fund in the Federal reserve banks, the country banks will be entitled to 55 per cent of (one-third of \$203,450,382) \$37,816,794=\$37,299,236; the reserve city banks 26 per cent, or \$17,632,366; and the central reserve cities 19 per cent, or \$12,885,190.

Should the banks avail themselves of this privilege to the extent of one-half of this fund, the country banks will be entitled to 55 per cent of (one-half of \$203,450,382) \$101,725,191=\$55,948,855; the reserve city banks 26 per cent, or \$26,448,549; and the central reserve city banks 19 per cent, or \$19,327,787.

In the event the banks should avail themselves of the discount privilege to the extent of two-thirds of the fund in the Federal reserve banks, the country banks would be entitled to 55 per cent of (two-thirds of \$203,450,382) \$135,633,588=\$74,598,472; the reserve city banks 26 per cent, or \$35,264,732; and the central reserve city banks 19 per cent or \$25,770,380.

The reserve requirement and the probable readjustment of cash in the several classes, respectively, under the Federal reserve act are as follows:

7,120 banks not in a reserve or central reserve city.	
RESERVES.	
12 per cent of demand liabilities (\$3,136,329,730.27) —	\$376,359,567.63
5 per cent of time deposits (\$459,377,757.19) —	22,968,887.86
Total —	399,328,455.49
Cash in the banks' own vault:	
First 14 months —	4/12=\$133,109,485
Between 14 and 36 months —	4/12= 133,109,485
Cash in the Federal reserve bank:	
First 14 months —	2/12= 66,554,742
Between 14 and 36 months —	5/12= 166,386,855
After 36 months —	5/12= 166,386,855
Optional, own vault or Federal reserve bank:	
After 36 months —	7/12= 232,941,597
Optional, in own vault, in Federal reserve bank, reserve city bank, or in central reserve city bank:	
First 14 months —	6/12= 199,664,228
Between 14 and 36 months —	3/12= 99,832,114
PROBABLE READJUSTMENT OF CASH, COUNTRY BANKS.	
(First 14 months.)	
Cash on hand (Aug. 9, 1913), specie and legal tender —	\$250,702,980
Cash available by discount of commercial paper (one-third basis) —	37,299,236
	288,002,216
Cash required for stock subscription to Federal reserve banks —	29,397,710
Cash reserve required in own vault (four-twelfths) —	133,109,485
Cash reserve required in Federal reserve banks (two-twelfths) —	66,554,742
Cash surplus —	158,940,279
	288,002,216

¹ The above table does not include cash from possible rediscounts of reserve put in Federal reserve banks.

One-third basis: between 14 and 36 months, amount reserve required in the Federal reserve banks is increased three-twelfths, or \$99,832,114, making a deficit of \$40,891,835, and after 36 months, three-twelfths additional, or \$99,832,114, must be kept either in Federal reserve banks or in banks' own vaults, making the total deficit after 36 months \$140,723,949.

One-half basis: Should the banks discount to the extent of one-half of the available fund in the Federal reserve banks (i. e., capital stock and United States funds) this deficit will be reduced by the difference between \$37,299,236 (one-third basis) and \$55,948,855 (one-half basis), or \$18,649,619, leaving a deficit of \$122,074,330.

Two-thirds basis: If the banks discount to the extent of two-thirds of the fund in the Federal reserve banks, the deficit will be reduced by the difference between \$37,299,236 (one-third basis) and \$74,598,472 (two-thirds basis), or \$37,299,236, leaving a deficit of \$103,424,713.

Three hundred and fifteen reserve city banks.

RESERVES.

18 per cent of demand liabilities (\$1,821,413,780.14) — \$327,854,480.43
5 per cent of time deposits (\$60,233,520.52) — 3,011,676.03

Total ————— 330,866,156.46

Cash in the banks' own vaults:

First 14 months ————— 6/18 = \$110,288,719

Between 14 and 36 months ————— 6/18 = 110,288,719

Cash in the Federal reserve bank:

First 14 months ————— 3/18 = 55,144,359

Between 14 and 36 months ————— 6/18 = 110,288,719

After 36 months ————— 6/18 = 110,288,719

Optional, own vault or Federal reserve bank:

After 36 months ————— 12/18 = 220,577,438

Optional, in own vault, in Federal reserve bank,

reserve city bank, or in central reserve city

bank:

First 14 months ————— 9/18 = 165,433,078

Between 14 and 36 months ————— 6/18 = 110,288,719

PROBABLE READJUSTMENT OF CASH.

(First 14 months.)

Cash on hand (Aug. 9, 1913), specie and legal tender — \$240,947,005

Cash available by discount of commercial paper (one-

third basis) ————— 17,632,366

258,579,371

Cash required for stock subscription to Federal reserve

banks ————— 13,897,099

Cash reserve required in own vault (six-eighteenths) — 110,288,719

Cash reserve required in Federal reserve banks (three-

eighteenths) ————— 55,144,359

Cash surplus ————— 79,249,194

258,579,371

One-third basis: Between 14 and 36 months, amount of reserve required in Federal reserve banks is increased three-eighteenths, or \$55,144,359, leaving still a surplus of \$24,104,835, and after 36 months an additional six-eighteenths, or \$110,288,719, must be kept either in banks' own vaults or in Federal reserve banks, causing a deficit of \$86,183,884.

One-half basis: Should the banks discount to the extent of one-half of the available fund in the Federal reserve banks, this deficit will be reduced by the difference between \$17,632,366 (one-third basis) and \$26,448,549, or \$8,816,183, leaving a deficit of \$77,367,701.

Two-thirds basis: If the banks discount to the extent of two-thirds of the funds in the Federal reserve banks, the deficit will be reduced by the difference between \$17,632,366 (one-third basis) and \$35,264,732, or \$17,632,366, leaving a deficit of \$59,735,355.

Fifty-two central reserve city banks.

RESERVES.

18 per cent of demand liabilities (\$1,605,579,970.29) — \$289,004,394.65
5 per cent of time deposits (\$13,755,310.58) — 687,765.53

Total ————— 289,692,160.18

Cash in the banks' own vaults:

First 14 months ————— 6/18 = \$96,564,053

Between 14 and 36 months ————— 6/18 = 96,564,053

Cash in the Federal reserve bank:

First 14 months ————— 3/18 = 48,282,027

Between 14 and 36 months ————— 6/18 = 96,564,053

After 36 months ————— 6/18 = 96,564,053

SUMMARY.

Condition of all national banks with respect to cash after probable redistribution under Federal reserve act.

FIRST 14 MONTHS.

[This table does not include cash obtained from rediscounting reserve money in Federal reserve banks.]

National bank system.	When one-third of Federal reserve bank funds are discounted.		When one-half of Federal reserve bank funds are discounted.		When two-thirds of Federal reserve bank funds are discounted.	
	Surplus.	Deficit.	Surplus.	Deficit.	Surplus.	Deficit.
Country banks.....	\$58,940,279	.....	\$77,589,898	.....	\$96,239,515	.....
Reserve city banks.....	79,249,194	.....	88,065,377	.....	96,881,560	.....
Central reserve city banks.....	120,556,848	.....	126,999,445	.....	133,442,038	.....
Surplus.....	258,746,321	.....	292,654,720	.....	326,563,113	.....
Additional cash available if reserves (\$169,981,128) of member banks are used for rediscount.....	56,660,376	.....	81,940,564	.....	113,320,752	.....
Total surplus.....	315,406,697	.....	377,595,284	.....	439,883,865	.....

Optional, own vault or Federal reserve bank:

First 14 months ————— 9/18 = \$144,846,080

Between 14 and 36 months ————— 6/18 = 96,564,053

After 36 months ————— 12/18 = 193,128,107

PROBABLE READJUSTMENT OF CASH.

(First 14 months.)

Cash on hand (Aug. 9, 1913) specie and legal tender — \$407,519,389

Cash available by discount of commercial paper (one-

third basis) ————— 12,885,190

420,404,579

Cash required for stock subscription in Federal reserve

banks ————— 10,155,572

Cash reserve required in own vaults (six-eighteenths) — 96,564,053

Cash reserve required in Federal reserve banks (three-

eighteenths) ————— 48,282,026

Cash reserve required in own vault or Federal reserve

banks (nine-eighteenths) — 144,846,080

Cash surplus ————— 120,556,848

420,404,579

Although the percentages of cash reserve required in the banks' own vaults and in the Federal reserve banks change after 14 months and after 36 months, inasmuch as at all times the full reserve requirement must be either in the banks' own vaults or in the Federal reserve banks, the surplus cash remains the same.

One-half basis: Should the banks discount to the extent of one-half of the available fund in the Federal reserve banks, this surplus would be increased by the difference between \$12,885,190 (one-third basis) and \$19,327,787 (one-half basis), or \$6,442,597, making a surplus of \$126,999,445.

Two-thirds basis: If the banks discount to the extent of two-thirds of the funds in the Federal reserve banks, the surplus will be increased by the difference between \$12,885,190 (one-third basis) and \$25,770,380 (two-thirds basis), or \$12,885,190, making a surplus of \$133,442,038.

In addition to the paid-up capital of the Federal reserve banks (\$53,450,382) and the deposit of Government funds (\$150,000,000) the Federal reserve banks will have available for discount purposes the funds held by them as reserves of the member banks to within 33½ per cent, viz:

Reserves deposited—Available for loans to member banks.

FIRST 14 MONTHS.

Amount of reserve deposited with Federal reserve banks

first 14 months:

Country banks (two-twelfths of reserve requirement) — \$66,554,742

Reserve city banks (three-eighteenths of reserve re-

quirement) ————— 55,144,359

Central reserve city banks (three-eighteenths of re-

quired reserve) ————— 48,282,027

Total ————— 169,981,128

If one-third of this fund is used for rediscounting purposes, the additional cash would amount to \$56,660,376; if one-half is used, \$84,940,564; and if two-thirds, \$113,320,752.

BETWEEN 14 AND 36 MONTHS.

Amount of reserves deposited with Federal reserve banks

14 to 36 months:

Country banks (five-twelfths of reserve requirement) — \$166,386,855

Reserve city banks (six-eighteenths of reserve re-

quirement) ————— 110,288,719

Central reserve city banks (six-eighteenths of re-

serve requirement) — 96,564,053

Total ————— 373,239,627

Additional available cash as follows: One-third basis, \$124,413,209;

one-half basis, \$186,619,814; and two-thirds basis, \$248,826,418.

AFTER 36 MONTHS.

Country banks (five-twelfths of reserve requirement) — \$166,386,855

Reserve city banks (six-eighteenths of reserve require-

ment) ————— 110,288,719

Central reserve city banks (six-eighteenths of reserve

requirement) ————— 96,564,053

373,239,627

Additional available cash as follows: One-third basis, \$124,413,209;

one-half basis, \$186,619,814; and two-thirds basis, \$248,826,418.

Condition of all national banks with respect to cash after probable redistribution under Federal reserve act—Continued.

BETWEEN 14 AND 36 MONTHS.

National bank system.	When one-third of Federal reserve bank funds are discounted.		When one-half of Federal reserve bank funds are discounted.		When two-thirds of Federal reserve bank funds are discounted.	
	Surplus.	Deficit.	Surplus.	Deficit.	Surplus.	Deficit.
Country banks.....		\$10,891,835		\$22,242,216		\$3,592,599
Reserve city banks.....	\$24,104,835		\$32,921,018		\$41,737,201	
Central reserve city banks.....	120,556,848		126,999,445		133,442,038	
Surplus, including all banks.....		103,770,048		137,678,247		171,586,640
	144,661,683	144,661,883	159,920,463	159,920,463	175,179,239	175,179,239
Surplus.....	103,770,048		137,678,247		171,586,640	
All banks: Additional cash available if reserves (\$373,239,627) of member banks are used for rediscount.....	124,413,209		186,619,814		248,826,418	
Total surplus.....	228,183,257		324,298,061		420,413,058	

AFTER 36 MONTHS.

Country banks.....		\$140,723,949		\$122,074,330		\$103,424,711
Reserve city banks.....		86,183,884		77,367,701		59,735,345
Central reserve city banks.....	\$120,556,848		\$126,999,445		\$133,442,038	
Deficit of all banks, to balance.....	106,350,985		72,442,586		29,718,018	
	226,907,833	226,907,833	199,442,031	199,442,031	163,160,056	163,160,056
Deficit, to balance, excluding cash from reserve discounts.....		106,350,985		72,442,586		29,718,018
Additional cash available if reserves (\$373,239,627) of member banks are used for rediscount.....	124,413,209		186,619,814		248,826,418	
Total surplus.....		18,062,224		114,177,228		219,108,400
	124,413,209	124,413,209	186,619,814	186,619,814	248,826,418	248,826,418
Total deficit or surplus for system where cash is obtained from rediscounting reserves as well as capital and United States deposits.....	\$18,062,224		\$114,177,228		\$219,108,400	

¹ The total reserve deposits are \$373,239,627; one-third equals \$124,413,209; one-half equals \$186,619,814; two-thirds equals \$279,869,441.

² \$18,062,224 surplus is on theory of discounting one-third of capital, United States funds, and reserves.

³ \$114,177,228 surplus is on theory of discounting one-half of capital, United States funds, and reserves.

⁴ \$219,108,400 surplus is on theory of discounting two-thirds of capital, United States funds, and reserves.

All the capital could be loaned out, but only two-thirds of United States funds and of reserves. banks and trust companies must be provided with reserve money in sufficient quantity to enable them to enter the system without contracting loans.

These figures above relate only to the national banks. The State

Memorandum prepared by Robert L. Owen, showing amount of reserve money available by statement of Aug. 9, 1913.

	Number.	Demand liabilities.	Time deposits.	Cash on hand.	Date of report.
National banks.....	7,488	\$6,563,335,480.70	\$533,364,588.29	\$899,169,374.00	Aug. 9, 1913
State banks.....	14,011	2,444,100,836.73	636,910,746.06	246,247,125.00	June 4, 1913
Trust companies.....	1,515	2,600,505,985.19	970,855,018.71	285,384,815.00	Do.

¹ National banks have also, not included in these figures, \$42,637,771 national-bank notes and \$3,650,042.33 minor coins; total, \$46,287,813.33, which can not be counted as reserves under present laws.

² Represent savings deposits; time deposits not given.

³ Includes \$35,521,522 national-bank notes and minor coins.

⁴ Includes \$26,732,928 national-bank notes and minor coins.

Total reserve money, 246 + 285 = 531 — 62 = 459 millions.

State banks..... \$2,444, at 12% = \$292

636, at 5% = 31

Trust companies..... 2,600, at 18% = 468

970, at 5% = 48

Total, \$323

Total, 516

Own vaults.....	\$216
In Federal reserve banks.....	107
Total.....	\$323
Own vaults.....	344
In Federal reserve banks.....	172
Total.....	516

Total requirements..... 839

Actual reserve cash..... 459

Gross deficit..... 378

Credit cash from rediscounts, one-half \$279, on deposit Federal reserve banks (\$172 + 107)..... 139

Total net deficit..... 239

The capital stock of State banks and trust companies excluding savings banks equals \$459,000,000, with a surplus fund of \$271,000,000, making a total of \$730,000,000, which, upon a 6 per cent basis, would give an addition to the capital stock of the Federal reserve banks, if the State banks and trust companies entered it, of \$43,800,000, which, if one-half were paid in cash, would add to the initial capital stock in cash \$21,900,000 above the capital stock heretofore considered, and would therefore add a further deficit of \$21,000,000 to the total net deficit of \$239,000,000, making a total deficit of \$260,000,000, as far as the State banks and trust companies are concerned.

It is insisted, however, that this contingency is not likely to arise, as many of the small State banks will not enter the system, and if it did arise, it could be taken care of—

First, by the discounting of the funds of the Federal reserve banks,

Second, by an additional deposit of United States funds above the \$150,000,000 heretofore estimated.

Third, or finally, by the issuance of Federal reserve notes, which should be counted as reserves for member banks if the Federal reserve board find it necessary.

Moreover, it might further be provided for by making the national bank notes available for reserve money, since they are based on Government bonds and are already used by State banks under the present State laws as reserves. This contingency has been provided for by a proposed amendment giving the Federal reserve board (p. 38, line 15) the right to authorize the use as reserves of member banks Federal reserve notes or bank notes based on United States bonds.

FEDERAL RESERVE BOARD—ITS POWERS.

The Federal reserve board, consisting of the Secretary of the Treasury and six members appointed by the President of the United States and confirmed by the Senate for terms of six years (p. 31), are given the following powers:

To readjust districts created by the organization committee and create new ones.

To regulate the establishment of branches of Federal reserve banks within Federal reserve district in which bank is located.

To designate three (class C) of the nine members of the board of directors of each Federal reserve bank, one of these to be chairman of the board with the title of "Federal reserve agent," and one "deputy Federal reserve agent."

The Federal reserve agent to maintain a local office of the Federal reserve board on the premises of the Federal reserve bank. He shall make regular reports to Federal reserve board and be its official representative.

To remove any director or officer of a Federal reserve bank for cause stated.

To remove chairman of Federal reserve bank without notice.

To establish by-laws governing applications from State banks and trust companies.

"Of the six persons * * * appointed (by the President), one shall be designated governor and one vice governor of the Federal reserve board." The governor, subject to supervision of the Secretary of the Treasury and board, shall be the acting managing officer of the Federal reserve board.

To levy a semiannual assessment upon the Federal reserve banks for estimated expenses for succeeding six months, together with deficit carried forward.

To examine at its discretion the accounts, books, and affairs of each Federal reserve bank or member bank and to require such statements and reports as it may deem necessary.

To require, or on application to permit, a Federal reserve bank to rediscount the paper of any other Federal reserve bank.

To suspend for a period not exceeding 30 days (and to renew such suspension for periods not to exceed 15 days) any and every reserve requirement specified in this act.

To supervise and regulate the issue and retirement of Treasury notes to Federal reserve banks.

To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section 21 of this act, or to reclassify existing reserve or central reserve cities and to designate the banks therein situated as country banks, at its discretion.

To require the removal of officials of Federal reserve banks.

To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

To suspend the further operations of any Federal reserve bank and appoint a receiver therefor.

To perform the duties, functions, or services specified or implied in this act.

To determine or define (subject to stipulations) the character of paper eligible for discount for member banks.

To prescribe regulations for purchase and sale by Federal reserve banks of bankers' bills, etc.

To review and determine the minimum rate of discount for member banks established by Federal reserve banks and fix weekly the discount rate reserve banks may discount for each other.

To authorize establishment of correspondents and agencies of Federal reserve banks in foreign countries.

To authorize the issue of Federal reserve Treasury notes.

To receive, through the local Federal reserve agent, applications from Federal reserve banks for notes, such applications to be accompanied by rediscounted notes for deposit as collateral security.

To require Federal reserve banks to maintain deposits in Treasury of United States in gold of 5 per cent of notes issued.

To grant in whole or in part or to reject entirely the application from Federal reserve banks for notes.

To establish rate of interest on notes issued.

To prescribe regulations for substitution of collateral.

To make and promulgate regulations governing the transfer of funds among Federal reserve banks.

To act, if desired, as clearing house for Federal reserve banks.

To require, in its discretion, Federal reserve banks to act as clearing houses for shareholding banks.

To require extra examinations of national banks when deemed necessary.

To determine and report annually to Congress fixed salaries of all bank examiners.

To assess upon banks in proportion to assets or resources the expenses of examinations.

To fix a date for such assessment.

To arrange for special or periodical examinations of member banks for account of Federal reserve banks.

To receive from Federal reserve banks information concerning the condition of any national bank in its district.

To order examinations of national banks in reserve cities as often as necessary.

To add to the list of cities in which national banks shall not be permitted to loan on real estate as described.

To receive applications from national banks having \$1,000,000 or more capital for the establishment of branches in foreign countries, to reject or accept such applications, and to prescribe conditions under which such branches may be opened.

To require examinations of foreign branches as it may deem best.

(Pages 31-38, 40, 45.)

FEDERAL ADVISORY COUNCIL.

In order to keep the Federal reserve board in intimate touch with the banking business of the country, the Federal advisory council is established, consisting of one representative from each Federal reserve bank with power to confer directly with the Federal reserve board, make proper representations and recommendations, call for information, etc. (p. 39). Many of the big banks quite urgently insisted that the bankers should have representation upon the Federal reserve board. This was denied for the obvious reason that the function of the Federal reserve board in supervising the banking system is a governmental function in which private persons or private interests have no right to representation except through the Government itself. The precedents of all civilized governments is against such a contention. It was believed that the Federal reserve board itself, consisting entirely of officers of the Government, might be made more efficient if it had the advice freely available of the Federal advisory council. Moreover, the operations of the Federal reserve board would in this way be subject to greater publicity and enable the banks of the country to have a greater measure of confidence in all of the operations of the Federal reserve board.

It was further believed that the banks of the country, which are invited or required to contribute a very large sum to the Federal reserve banks, would be more content by having an easy and convenient means provided by law of frequent conferences with the Federal reserve board and the opportunity to advise the board with regard to the financial, commercial, and industrial needs of the country.

CONCENTRATION OF RESERVES.

The reserves of the banks of the United States are now scattered without any system among over 25,000 individual banks. The present law permits the national banks in the country to keep nine-fifteenths of their reserves in the banks of reserve cities and permits banks of the reserve cities to keep one-half of their reserves in the central reserve cities, and permits the banks in the central reserve cities to keep only one-fourth of these reserves of the reserves of the reserves in cash. The effect of this system—the necessary effect of this system—is to concentrate in the hands of a few banks in the central reserve cities (who have diligently sought the reserves of other banks) to such an extent that the Nation's bank reserves are pyramided in a dangerous fashion in the hands of a few banks in the three central reserve cities and chiefly in certain banks in New York City. These central reserve city banks have been accustomed to pay 2 per cent on the deposit of these bank reserves placed with them, and having no place to which they themselves might go for rediscount they have fallen into the habit of placing very large sums out of these reserves, amounting to hundreds of millions, upon call on the New York Stock Exchange, for the simple reason that under the law of the stock exchange they can sell the stock collateral immediately on any day when money is actually needed. It may be ruinous to the borrower—it may wipe out his margin—it may cause him a disastrous loss; it may upset the interest rates of the country, excite alarm, and result in final panic; but it does furnish the money when needed.

We are advised by representative bankers in New York that the great banks there would be glad to improve the system by the establishment of Federal reserve banks strong enough to furnish money quickly on demand against good commercial bills, and thus enable the New York banks to withdraw their funds from the stock exchange (which has become the most gigantic gambling establishment in the world) and place such funds in the service of legitimate industry and commerce. This will be one of the great benefits of the pending measure—that is, that it will withdraw from gambling enterprises on the stock exchange the bank reserves of the country and enable such reserves to be used for the commerce of the Nation.

Attention is respectfully called to the fact that while in 1896 the shares sold on the New York Stock Exchange amounted to only a little over \$3,000,000,000, in 1905 it was \$21,000,000,000, in 1906 it was \$23,000,000,000, in 1907—the year of the panic—the amount fell to \$14,000,000,000, increasing in 1908 to \$15,000,000,000, and in 1909 to \$19,000,000,000. (National Monetary Commission Reports, vol. 21, p. 9.)

MAKING STABLE THE INTEREST RATES.

The extremely injurious character of this gambling on the stock market with the reserves of the country is shown by Table 20, National Monetary Commission Reports (vol. 21, p. 136), where during the year 1907 the range of interest for money was from 2 to 45 per cent in January, from 3 to 25 per cent for March, from 5 to 125 per cent in October, from 3 to 75 per cent in November, and from 2 to 25 per cent in December, with currency bringing a premium from 1 to 4 per cent during November and December. The blighting effect of these violent fluctuations of the interest rates is demonstrated by the rate charged for 90-day time loans, which during November and December, 1907, were running as high as 12 to 16 per cent, with no business done in time loans of a longer period during the entire month of November and no business being done at times on prime commercial bills during the same months. (Ibid.)

These violent fluctuations are the more astounding when compared with the extremely stable rates of interest which have long prevailed in Europe, as shown by the rates of discount for 50 years in England, France, Germany, Holland, and Belgium, where the rate has been steadily around 3 to 4 per cent. (See Senate hearings before Banking and Currency Committee, pp. 538-542, an abstract of which is submitted.)

Moreover, in Europe manufacturers, merchants, and business men could always get money, while in the United States they have been absolutely ruined by thousands because of the denial of merited credit. This act will put an end to this deadly peril to American business.

TABLE III.—Rate of discount, 1844–1909—The number of days at each rate arranged from the lowest rate to the highest.

Rate.	Bank of England. ¹		Bank of France. ²		Imperial Bank of Germany. ³		Bank of the Netherlands. ⁴		National Bank of Belgium. ⁵	
	Number of days.	Number of days per cent of total (total=1,000).	Number of days.	Number of days per cent of total (total=1,000).	Number of days.	Number of days per cent of total (total=1,000).	Number of days.	Number of days per cent of total (total=1,000).	Number of days.	Number of days per cent of total (total=1,000).
2 per cent.....	3,409	143	2,735	115	.....	.....	1,328	56	.....	.....
2½ per cent.....	28	1	.....	.....	.....	.....	.....	.....	.....	.....
3 per cent.....	3,599	151	2,579	108	.....	.....	5,058	212	3,169	147
3½ per cent.....	5,859	246	7,828	329	3,073	129	8,013	336	9,412	437
4 per cent.....	1,921	80	2,060	86	644	27	3,737	157	2,965	138
4½ per cent.....	3,772	158	4,579	192	12,192	511	2,167	91	3,416	159
5 per cent.....	608	26	353	15	1,626	68	811	34	608	32
5½ per cent.....	2,195	92	2,061	86	4,094	172	1,823	76	944	44
6 per cent.....	263	11	120	5	707	30	375	16	378	18
6½ per cent.....	975	41	1,170	49	970	41	260	11	540	25
7 per cent.....	91	4	8	.....	72	3	150	6	.....	.....
7½ per cent.....	633	26	286	12	269	11	135	5	27	.....
8 per cent.....	.....	.....	21	1	110	5	.....	.....	.....	.....
9 per cent.....	268	11	41	2	37	1	.....	.....	.....	.....
10 per cent.....	95	4	16	.....	63	2	.....	.....	.....	.....
11 per cent.....	141	6	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	23,857	1,000	23,857	1,000	23,857	1,000	23,857	1,000	21,549	1,000

¹Lowest rate 2 per cent; highest rate 10 per cent.²Lowest rate 2 per cent; highest rate 9 per cent.³Lowest rate 3 per cent; highest rate 9 per cent.⁴Lowest rate 2 per cent; highest rate 7 per cent.⁵Lowest rate 2½ per cent; highest rate 6 per cent.

TABLE IV.—Rate of discount, 1844–1909—The number of days at each rate, arranged from the highest number of days to the lowest.

Bank of England.			Bank of France.			Imperial Bank of Germany.			Bank of the Netherlands.			Bank of Belgium.		
Days.	Rate per cent.	Number of days per cent of total (total=1,000).	Days.	Rate per cent.	Number of days per cent of total (total=1,000).	Days.	Rate per cent.	Number of days per cent of total (total=1,000).	Days.	Rate per cent.	Number of days per cent of total (total=1,000).	Days.	Rate per cent.	Number of days per cent of total (total=1,000).
5,859.....	3	246	7,828	3	329	12,192	4	511	8,013	3	336	9,412	3	437
3,772.....	4	158	4,579	4	192	4,094	5	172	5,058	2½	212	3,416	4	159
3,599.....	2½	151	2,735	2	115	3,073	3	129	3,737	3½	157	3,169	2½	147
3,409.....	2	143	2,579	2½	108	1,626	4½	68	2,167	4	91	2,965	3½	138
2,195.....	5	92	2,061	5	86	970	6	41	1,823	5	76	944	5	44
1,921.....	3½	80	2,060	3½	86	707	5½	30	1,328	2	56	608	4½	32
975.....	6	41	1,170	6	49	644	3½	27	811	4½	34	540	6	25
633.....	7	26	353	4½	15	269	7	11	375	5½	16	378	5½	18
608.....	4½	26	286	7	12	110	7½	5	260	6	11	27	7	.....
268.....	8	11	120	5½	5	72	6½	3	150	6½	6	.....	.....	.....
263.....	5½	11	41	8	2	63	9	2	135	7	5	.....	.....	.....
141.....	10	6	21	7½	1	37	8	1	.....	.....	.....	.....	.....	.....
95.....	9	4	16	9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
91.....	6½	4	8	6½	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
28.....	2½	1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
23,857.....	.....	1,000	23,857.....	.....	1,000	23,857.....	.....	1,000	23,857.....	.....	1,000	21,549.....	.....	1,000

"It will thus be seen that these great banks holding the national reserves have been able to furnish commerce with a very low rate of discount for nearly all the time and only occasionally have been compelled to raise the rate to a high point.

"These low rates illustrate the enormous value of these great banks to European commerce and the urgent necessity for action by the United States along similar lines."

The stabilizing of the rate of interest in the United States will be one of the very important functions of the proposed Federal reserve system. The right of the Federal reserve board to fix the rate of interest which may be charged member banks by the Federal reserve banks and which the Federal reserve banks may charge each other would have a steady effect upon the interest rate throughout the United States, and will enable the banks of the country to extend accommodation at a comparatively stable rate of interest upon a lower basis than heretofore, because the element of hazard of panic and of financial stringency will be removed by the proposed system.

MOBILIZATION OF RESERVES.

In addition to concentrating in the Federal reserve banks a substantial part of the reserves of the National and State banks and trust companies of the country and placing in such banks a respectable capital by stock subscriptions and a considerable volume of Government funds—approximately a total of about \$700,000,000—it is proposed to make them perfectly mobile. In order to have these funds meet the purpose for which they were intended they must be kept in a liquid condition and made instantly mobile by keeping the investments of such banks either in actual gold and lawful money or in short-time commercial bills drawn against actual commercial transactions, which are readily converted into money on short notice. (Sec. 14, p. 40, and sec. 15, p. 44.)

In pursuing this policy we have followed the experience of the great public-utility banks of Europe. The European systems confine in large measure the holdings of the public-utility banks to cash and liquid bills of very short maturities, the average length of time of the bills of the Bank of France not exceeding 28 days and the Reichsbank of Germany having no paper of longer maturity than 90 days, and a large part of its paper very short-time paper. The Bank of England handles quite

a large volume of paper running 7 to 14 days. These public-utility banks carefully avoid putting the funds in their custody in the form of investments which are not instantly convertible into money. This consideration is of the highest importance, because the Federal reserve banks holding the reserves of the reserves must be in a position to extend instant accommodation to any member bank requiring cash.

With a view to enlarging the volume of liquid paper based on actual shipments of goods, the reserve bank is authorized to discount acceptances and the member banks are authorized to accept bills of exchange against actual shipments of goods.

ELASTIC CURRENCY—FEDERAL RESERVE NOTES.

In order to render still more mobile and liquid the reserves held by the Federal reserve banks, elastic currency has been provided (sec. 17, p. 47) in the form of Federal reserve notes issued as obligations of the United States, redeemable in gold at the Treasury, or in gold or lawful money at the reserve banks, and receivable for all taxes and public dues, except customs. The exception of customs was intended to enable the Federal Government to command a supply of gold through the customhouses, if it should prove to be necessary, by compelling the customs to be paid in gold by foreign shippers.

These Federal reserve notes, while the obligations of the United States and made redeemable in gold or lawful money at the Federal reserve banks and in gold only at the Treasury of the United States, are carefully surrounded by very numerous safeguards to make assurance doubly sure that they shall not at any time in reality tax the credit of the United States itself. The securities behind these notes are:

First, Commercial bills drawn against actual commercial transactions which have goods and merchandise behind the notes.

Second, Such notes have the credit of the maker of the commercial bill deemed good by the member banks.

Third, The indorsement by the member bank of such commercial bills.

Fourth, The double liability of the stockholders of the member bank so indorsing.

Fifth, Thirty-three and a third per cent of gold reserves in the Federal reserve bank.

Sixth. A first lien on all the assets of the Federal reserve bank.
Seventh. The stock of the indorsing member bank in the Federal reserve bank.

Eighth. The reserve balance of the indorsing member bank in the Federal reserve bank.

Ninth. A double liability of the member banks of the Federal reserve bank.

Tenth. The double liability of the stockholders of the member banks of the Federal reserve bank.

Eleventh. The surplus of the Federal reserve bank.

Twelfth. The earning power of such reserve bank, and finally the United States. There has never been issued a note with such safeguards surrounding it by any banking system of the world.

The commercial bills alone would never fail, because of their liquid character and short maturity. No apprehension whatever need be felt with regard to these notes ever taxing the Federal Treasury.

Since each bank is required to keep a gold reserve with the Treasury of the United States against such note issues, it is necessary to keep a record of the outstanding circulation emitted through each Federal reserve bank, and for this reason a descriptive number is placed upon the notes emitted through any Federal reserve bank so as to keep the record of notes outstanding issued through such banks. The effect of issuing Federal reserve notes against commercial bills is to make intensely mobile the assets of the Federal reserve bank and enable such bank at all times to respond instantly to the needs of national commerce. The emission of these notes is controlled by the Federal reserve board, which is authorized to control the volume of these notes and the terms upon which they shall be advanced to the Federal reserve bank and the conditions of retirement.

The Federal reserve board is authorized to tax the issue of the notes and also to fix the rate of interest on the discounts of the Federal reserve banks, and in this way keep a double check on the issuance of the Federal reserve notes.

While the Federal reserve notes are extremely well secured, it is made easy for member banks needing currency for reasonable demands or for any extraordinary emergency to obtain Federal reserve notes from the Federal reserve banks. The Federal reserve bank has only to deposit liquid commercial bills of a qualified class with the Federal reserve agent and obtain from him such Federal reserve notes, keeping, however, a minimum deposit of 33 per cent of gold against such Federal reserve notes as may be put in actual circulation. It is believed that in actual practice the gold reserves against such notes in circulation will be very large, much larger than the minimum requirement, especially if our proposed amendment is placed in the House bill, permitting the reserves against deposits and against the notes to be kept as a common fund. It is obvious that if a minimum requirement of 33 per cent against deposits and 33 per cent against notes in circulation is held as a common fund, anyone observing the statement merely from the standpoint of a depositor, if the deposits and the notes in circulation happened to be equal, would perceive that the reserves against deposits would appear as 66 per cent, and anyone looking at the reserves against the notes from that point of view would observe a reserve equal to 66 per cent of the notes in circulation.

It also is obvious that when there is a surplus reserve against the deposits far above 33 per cent there is no reason why the bank should not have the credit of this surplus appearing also in its favor as a reserve against notes in circulation, and it was upon the best advice obtainable that an amendment was proposed to section 17 permitting these reserves to be carried as a common fund, but in no contingency less than a 33 per cent gold reserve against the notes, as required in the House bill.

The retirement of these Federal reserve notes would, of course, be accomplished whenever the commercial bills were withdrawn by the member bank or by the Federal reserve bank from the hands of the Federal reserve agent, the Federal reserve agent in such contingency either receiving the notes back or a like volume of lawful money.

OPEN-MARKET OPERATIONS.

One of the most important features of this bill is the establishment of what is called an open market for bills of exchange and bankers' acceptances such as has long prevailed in Europe, but which has not existed to any great extent in the United States. In Europe the various banks and private bankers carry on a very large scale commercial bills of exchange and acceptances based on actual commercial transactions of short maturities and which are regarded as self-liquidating. Such bills have behind them actual merchandise for which a purchaser has been found, and these bills are held in their portfolios as almost the exact equivalent of cash, for the reason that the security of such bills is regarded as substantially perfect, their uniform and certain payment constant, and therefore there is an "open market" for such bills maintained by the great public banks, such as the Bank of France, the Reichsbank, the Bank of Belgium, the Bank of Netherlands, the Bank of England, etc., at a very low rate of interest.

It is now proposed that a constant market at a fairly uniform rate of interest be established in this country by establishing the Federal reserve bank with a large capital and large reserves and with the express power to discount for member banks commercial bills and acceptances of the qualified liquid class, and also to buy and sell in the open market such bills and bankers' acceptances as have been found merchantable and liquid by the experience of European banking systems. It is anticipated that the effect of this method will be to encourage banking houses to buy commercial bills of the qualified class, and in this way that we may greatly enlarge the market for the bills of manufacturers, merchants, and business men who are handling the actual commerce of the country. (Secs. 14 and 15, pp. 40-44.)

GOVERNMENT DEPOSITS WITH FEDERAL RESERVE BANKS.

It has been deemed of the highest importance to maintain the independent Treasury of the United States and not compel the Secretary of the Treasury to deposit every dollar of the public funds in the Federal reserve banks, but to provide that he may do so. The argument in favor of maintaining the independence of the Federal Treasury is overwhelmingly in favor of an independent Treasury and need not be recounted here.

The Government of the United States can advantageously to the banks and to itself place with the Federal reserve banks \$150,000,000, or even a larger sum, but the process of collecting the revenue through revenue collectors scattered throughout the Nation, making local deposits, and the right of the Treasury Department to make disbursements in every part of the country through its numerous disbursing officers, makes it highly necessary to maintain the independence of the

Treasury. We have therefore thought it proper to change the provision of section 16 in such a way as to accomplish this object (p. 46).

REFUNDING BONDS.

The House measure (sec. 19, p. 56) provided for retiring 5 per cent of the outstanding 2 per cent bonds held for national-bank circulation by the exchange of 3 per cent bonds without circulation privilege for such 2 per cent bonds, justly assumes that the Government will be compensated by the interest earned upon a like amount of Federal reserve notes.

We have preferred to absorb such of these bonds as would be offered on the market by permitting the Federal reserve banks to buy such 2 per cent bonds and issue Federal reserve bank notes against them just as the national banks do (p. 14), and have further permitted such Federal reserve banks, in section 19, to assume the redemption of not exceeding \$36,000,000 of national-bank notes issued against such bonds and to take over such bonds and issue Federal reserve notes against such bonds, leaving the bonds with the Treasurer of the United States in trust in the form of 3 per cent bonds or 3 per cent annual notes, in this way assuring to the Government the earning power upon the circulation taking the place of the retired national-bank circulation (p. 58).

CLEARING CHECKS AND DRAFTS.

The House bill proposed to clear checks and drafts at par, but we propose an amendment providing that checks and drafts sent to the Federal reserve banks by member banks may be cleared, allowing the Federal reserve board to fix the charge which may be imposed for the service of clearing or collection rendered either by the Federal reserve bank or by the member banks, and with a provision that the act should not be construed to prohibit member banks from making reasonable charges for checks and drafts debited to their account, or for collecting and remitting drafts, or for exchange sold to its patrons. In this way the reserve banks are not put in competition with the country banks, but can serve them and their customers at a fair price. This amendment should remove the very serious objection of many of the country banks to the House provision, which they thought would interfere with their right to charge for exchange in making remittances (p. 55).

SAVINGS-BANK SECTION.

Your committee has struck out entirely the savings-bank section No. 27, for the reason that the national banks now, through the system of time deposits, carry on a savings-bank business very economically and at the same time use the funds in promoting the local enterprises. It was the practical judgment of all the small banks of the country that this section should not remain in the bill.

CHANGES IN THE NATIONAL-BANK ACT.

Several changes of importance in the national-bank act have been made, to which attention should be called:

First. Section 21 (p. 65) provides that the 5 per cent fund placed with the Secretary of the Treasury for the redemption of national-bank notes shall no longer be construed to be a part of the bank's reserves. This is justified because the reserves of the national banks have been made decidedly lower than they have been in the past.

Second. The law requiring bonds of national banks to be deposited before any national bank association shall be authorized to commence the banking business, as provided in section 5159 of the Revised Statutes, etc., is repealed by section 18 (p. 53). The obvious purpose of this section is to ultimately do away with the bond-secured circulation, which is inflexible and unscientific. The way to establish an improved system is thus made open.

Third. The bank examinations are more thoroughly provided for in section 23 (p. 66).

Fourth. The loans, gratuities, and commissions to bank officers or bank examiners are penalized by section 24 (p. 69).

Fifth. The stockholders' liabilities of national banks and of member banks is modified to establish the double liability and to prevent its evasion. (Sec. 25, p. 71.)

Sixth. Loans on farm lands are permitted to the extent of 25 per cent of the capital and surplus of a national bank and for a period of five years. This would make available possibly \$400,000,000, but in actual practice it would not be likely to exceed a hundred million dollars under the terms of the bill, for the reason that the city banks do not make such loans, and where the banks have the authority they will probably not exercise it with any uniformity.

Seventh. The change of the reserves in the national banking law is a very important change, heretofore described, and which will be found set forth in section 20 (p. 59).

The House provision was changed so as to make the language more compact and to simplify it.

Eighth. Foreign branches were also provided for national banks having a capital and surplus of a million dollars or more, with the approval of the Federal reserve board. (Sec. 28, p. 77.)

This is a very important amendment and one of far-reaching importance to the foreign commerce of the United States, the purpose of which is so obvious as to need no explanation.

Many other amendments are needed in the national-bank act which this bill does not undertake to deal with, for the reason that it was of great importance that this bill should not be embarrassed by the consideration of questions which were not necessarily germane to the bill itself in establishing the Federal reserve system.

The National Monetary Commission did a very large amount of work looking toward the codification of the national-bank act, and this work has so far progressed that it may be easily submitted to the Senate during the next regular session, in such a form as to enable the matter to be disposed of and to make any other amendments which are necessary to the national-bank act, without embarrassing the present measure by considerations which are not necessarily a part of the Federal reserve system.

The proposed changes recommended by the undersigned are best set forth by submitting a print of the House bill with the parts struck out being placed in brackets and the amendments proposed being inserted in italics. (See Exhibit A.) The other exhibits are necessary to justify the amendments recommended.

Very respectfully submitted.

ROBERT L. OWEN, *Chairman*,
JAMES A. O'GORMAN,
JAMES A. REED,
ATLEE POMERENE,
JOHN F. SHAFROTH,
HENRY F. HOLLIS.

EXECUTIVE SESSION.

Mr. O'GORMAN. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 55 minutes spent in executive session the doors were reopened, and (at 3 o'clock and 55 minutes p. m.) the Senate adjourned until to-morrow, Tuesday, November 25, 1913, at 12 o'clock meridian.

NOMINATIONS.

Executive nominations received by the Senate November 24, 1913.

UNITED STATES MARSHAL.

Edgar H. James, of Kentucky, to be United States marshal, western district of Kentucky, vice George W. Long, resigned.

MEMBERS OF THE PHILIPPINE COMMISSION.

Henderson S. Martin, of Kansas, to be a member of the Philippine Commission, secretary of public instruction, and vice governor of the Philippine Islands, vice Newton W. Gilbert, resigned.

Clinton L. Riggs, of Maryland, to be a member of the Philippine Commission and secretary of commerce and police, vice Charles B. Elliott, resigned.

Winfred T. Denison, of New York, to be a member of the Philippine Commission and secretary of the interior, vice Dean C. Worcester, resigned.

CONFIRMATIONS.

Executive nominations confirmed by the Senate November 24, 1913.

CONSULS GENERAL.

Stuart J. Fuller to be consul general at large.

William W. Handley to be consul general at Callao, Peru.

Michael J. Hendrick to be consul general at Christiania, Norway.

Carl Bailey Hurst to be consul general at Barcelona, Spain.

Henry H. Morgan to be consul general at Hamburg, Germany.

Ransford S. Miller to be consul general at Seoul, Chosen.

Thomas Sammons to be consul general at Shanghai, China.

George H. Seidmore to be consul general at Yokohama, Japan.

Robert P. Skinner to be consul general at Berlin, Germany.

John Q. Wood to be consul general at Adis Ababa, Abyssinia.

CONSULS.

Henry D. Baker to be consul at Bombay, India.

John K. Baxter to be consul at Maracaibo, Venezuela.

Harold D. Clum to be consul at Corinto, Nicaragua.

William Dawson, jr., to be consul at Rosario, Argentina.

W. Roderick Dorsey to be consul at Tripoli, Libya.

William F. Doty to be consul at Nassau, Bahamas.

Julius D. Dreher to be consul at Toronto, Ontario, Canada.

Cornelius Ferris, jr., to be consul at Port Antonio, Jamaica.

Charles Forman to be consul at Moncton, New Brunswick.

Paul H. Foster to be consul at Jerez de la Frontera, Spain.

Arminius T. Haerberle to be consul at St. Michaels, Azores.

Lewis W. Haskell to be consul at Belgrade, Servia.

Charles M. Hathaway, jr., to be consul at Hull, England.

Frank Anderson Henry to be consul at Puerto Plata, Dominican Republic.

Charles A. Holder to be consul at Cologne, Germany.

Douglas Jenkins to be consul at Riga, Russia.

Milton B. Kirk to be consul at St. Johns, Quebec, Canada.

Myrl S. Myers to be consul at Swatow, China.

Kenneth S. Patton to be consul at Cognac, France.

Albert W. Pontius to be consul at Nanking, China.

John A. Ray to be consul at Sheffield, England.

Emil Sauer to be consul at Goteborg, Sweden.

Maddin Summers to be consul at Santos, Brazil.

Robert J. Thompson to be consul at Aix la Chapelle, Germany.

Frederick Van Dyne to be consul at Lyon, France.

Charles L. L. Williams to be consul at Dalny, Manchuria.

Jay White to be consul at Naples, Italy.

NAVAL OFFICER OF CUSTOMS.

William Brown to be naval officer of customs in the district of Chicago.

APPRAISER OF MERCHANDISE.

Seth F. Clark to be appraiser of merchandise in the district of Maine and New Hampshire.

COLLECTOR OF INTERNAL REVENUE.

John M. Rapp to be collector of internal revenue for the thirteenth district of Illinois.

POSTMASTERS.

FLORIDA.

L. M. Caswell, Perry.

INDIANA.

William S. Tindall, Paoli.

MISSISSIPPI.

Myrtle A. McKay, Pelahatchee.

MISSOURI.

Sterling S. Ball, Kahoka.

NORTH DAKOTA.

W. W. Anderson, Edgeley.

OHIO.

Addie E. Joseph, Nottingham.

OKLAHOMA.

A. L. Kates, Claremore.

Julia P. Montgomery, Valliant.

H. W. Warrick, Lehigh.

SOUTH DAKOTA.

J. F. Kelley, Aberdeen.

SENATE.

TUESDAY, November 25, 1913.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

NAMING A PRESIDING OFFICER.

The Secretary (James M. Baker) read the following communication:

PRESIDENT PRO TEMPORE UNITED STATES SENATE,
Washington, November 25, 1913.

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. JOHN RANDOLPH THORNTON, a Senator from the State of Louisiana, to perform the duties of the Chair during my absence.

JAMES P. CLARKE,
President pro tempore.

Mr. THORNTON thereupon took the chair as Presiding Officer and directed that the Secretary read the Journal of the proceedings of the last legislative day.

THE JOURNAL.

The Journal of yesterday's proceedings was read and approved.

PETITIONS AND MEMORIALS.

The PRESIDING OFFICER presented resolutions adopted by the Kapahulu Improvement Club, of Honolulu, Hawaii, favoring the enactment of legislation for the extension of the franchise of the Honolulu Rapid Transit & Land Co., which were referred to the Committee on Pacific Islands and Porto Rico.

Mr. TOWNSEND presented a petition of the Michigan Patent Law Association, praying for the repeal of the copyright law, which was referred to the Committee on Patents.

He also presented a memorial of sundry citizens of Kalamazoo, Mich., remonstrating against the enactment of legislation compelling the observance of Sunday as a day of rest in the District of Columbia, which was referred to the Committee on the District of Columbia.

Mr. WEEKS presented a memorial of the Social Science Club of Newton, Mass., remonstrating against the enactment of legislation authorizing the city of San Francisco to use the waters of Hetch Hetchy Valley, which was ordered to lie on the table.

Mr. WEEKS (for Mr. LODGE) presented the memorial of L. B. R. Briggs, president of Radcliffe College, and of William Z. Ripley and sundry other professors of Harvard University, Cambridge, Mass., and the memorial of William D. Parkinson, superintendent of schools, and other sundry citizens of Waltham, Mass., remonstrating against the enactment of legislation authorizing the city of San Francisco to use the waters of Hetch Hetchy Valley, which were ordered to lie on the table.

Mr. CHAMBERLAIN. I present a petition from citizens of the State of Oregon relative to the passage of a pension bill for the membership of the United States Military Telegraph Corps, which I ask may be printed in the RECORD, together with the signatures, and referred to the Committee on Pensions.

There being no objection, the petition was referred to the Committee on Pensions and ordered to be printed in the RECORD, together with the signatures, as follows:

NOVEMBER 11, 1913.

To the Congress of the United States:

The undersigned citizens of Portland, in the State of Oregon, believing that the members of the United States Military Telegraph Corps, who rendered exceptional military service in the Civil War, 1861-1865,